



Reminders of
Coming Events

ALMANACK

Notable Events
and Anniversaries



N O V E M B E R





26	Th	The American Telephone and Telegraph Company absorbed the American Bell Telephone Company and became thus the central company of the Bell system; 1900.
27	F	The 5-mile Hoosac tunnel in Massachusetts was completed at a cost of \$20,000,000; 1873. CORNELIUS VANDERBILT, railroad builder, was born; 1843.
28	Sa	FERDINAND MAGELLAN entered the Pacific ocean in his courageous and successful attempt to circumnavigate the globe; 1520.
29	S	The second practical electric car line in the United States and the first to employ the trolley was installed by J. HENRY in Kansas City; 1889.
30	M	The Reverend JOHN CLAYTON, of Yorkshire, England, startled his acquaintances by his announcement that he had obtained gas from coal; 1665.



D E C E M B E R



1	Tu	Baltimore became a pioneer in the field of municipal illumination when it led all other cities in installing city gas lighting; 1816.
2	W	ERASTUS WELLS, who constructed in St. Louis the first street car line west of the Mississippi, was born in Sackets Harbor, New York; 1823. 
3	Th	JAMES E. GORMAN was born in Chicago, the city with which he was to be identified as president of the Chicago, Rock Island and Pacific Railroad; 1863.
4	F	Congress chartered the Pacific Telegraph Company, which shortly thereafter blazed its way across the plains carrying telegraph communication to the far west; 1861.
5	Sa	The first conference and get-together to discuss the future of commercial air transport was held in Washington, D. C., and attended by 400 delegates; 1927.
6	S	Uncle Sam and John Chinaman were linked together by radio communication service when a direct circuit was opened between San Francisco and Shanghai; 1930.
7	M	Germany first experienced the luxury of rail transportation when a train made its initial run from Nuremberg to Furth at the wild speed of 20 miles per hour; 1835.
8	Tu	The first natural gas pipe line, less than 40 miles long and 8 inches in diameter, was laid in Pennsylvania; 1882.
9	W	The first locomotive made in America for use in this country was completed at the West Point foundry, New York; 1830. 

"Everything that looks to the future elevates human nature; for never is life so low, or so little, as when occupied with the present."

—WALTER SAVAGE LANDOR



Camera study of Brooklyn Bridge by Ewing Galloway, N. Y.

Webs of Traffic

Public Utilities

FORTNIGHTLY

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The Anti-Utility Group in the New House

Whom it consists of, where they come from, and
the influence they are likely to wield in the
Seventy-Second Congress.

By HAROLD BRAYMAN

THE anti-utility group in the House of Representatives is a weak and leaderless band the effectiveness of which in the past has been entirely subjugated to the pleasure of organization control and the inexorable rules of procedure.

But with the coming session of Congress the power of whichever organization captures the House will be extremely limited, some liberalization of the rules is bound to take place, and the anti-utility group emerges to a position of strength which will give it a very noticeable influence upon the course of utility legislation.

Just how potent a factor it will be

depends largely upon the capacity which the group shows for cohesive action, leadership, and ability to state its case to the country. While there are individuals in the bloc who show signs of strength, they are scarcely more numerous than the statesmen in a town meeting. Aside from four or five there is not a man in the group whose name is generally recognized outside his own state and many whose names would evoke no more than a blank stare if mentioned in a public gathering of normally well-informed people anywhere outside their own districts.

However, it would be unfair to

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blame the individuals too much for the fact that this is a faction of little men. Anyone who is thoroughly acquainted with the operation of the House under a substantial working majority, of the futility of opposition, or of even the attempt to get a hearing for one's views if he is a minority in his own party, cannot hold them entirely responsible.

Yet one of their number, Fiorello H. La Guardia, manages to surmount the difficulties and make his voice heard by the country.

It can be done, but not by men who are progressives back home and social climbers in Washington, who are more interested in gaining a good committee assignment or a nice summer junket than in fighting for the things they believe, or who languish in the lassitudinous philosophy of "what's the use?"

LULLED into inactivity by things like these, the anti-utility group, in the House has not stirred up any utility companies to fury as have Norris, La Follette, Borah, and Walsh (of Montana) in the Senate. As a matter of fact there has rarely been a utility issue in the House the outcome of which was not definitely predictable. The men in the House who have been most identified with the theory of government ownership or drastic regulation of power companies, traction lines, railroads, telephone, and radio, have allowed their fellow crusaders in the Senate to wear the shining helmets which caught the glint of the sun, while they, themselves, cast feeble votes against a dominant majority.

Now that the dominant majority is

gone there may be a few ambitious men in the Seventy-Second Congress who will try to put on the cloak of Norris and who will stir their comrades out of lethargy. If so, utility companies will have a real fight on their hands in the coming session. Most assuredly a Muscle Shoals bill, more drastic than the one vetoed last year by President Hoover, will come out of the Senate and pass the House. But again it will be vetoed.

It should be said further in extenuation of this group that if most of them are little men and generally ineffective, so are most of the other members of the House, who divide themselves into two herds of sheep following blindly their respective fence-jumpers.

It cannot be said, however, of La Guardia of New York that he ever followed anybody. He strays alone.

If it were not for that he would be the natural leader of the group. He is by far the most prominent and well known. The difficulty is that he may not be able to get other people to work with him. The fact that he had no followers has never deterred him in the past. He is bound to be a leader if not the leader, and even if, on occasion, he leads only himself.

LA GUARDIA began his revolt against the established order when, back in 1904, he was twenty-two and American consul at Fiume. The Archduchess Maria Josefa came to town and a dispute arose over the herding of a large group of immigrants down in the hold of the steamship *Pannonia*. La Guardia insisted on better treatment for the immigrants and was very specific and direct

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in his language—a characteristic which he still retains. A complaint was made to the State Department and La Guardia decided that diplomacy was not exactly his line. He quit and came back to America, where, because of the seven languages he knew he became an interpreter at Ellis Island, the doorway through which his father had come from Italy in the 1870's, to advance to the station of being a bandmaster in the army.

It is necessary to go into La Guardia's background in some detail because it illuminates his crusading and tempestuous character. While translating the complaints of immigrants into understandable English, which fell upon rather deaf ears, the energetic Fiorello studied law at night at New York University. He became a practicing lawyer with distinct socialist leanings and political ambitions. He lived up on the edge of Harlem and demonstrated immense confidence in himself when, in Tammany-ridden New York, he became a Republican.

He was a special attorney general by appointment for a time and was first elected to Congress in 1916. During the war he was an aviator with the American Expedition attached to the Italian armies on the Alpine front and became a major. After the war he attained widespread notice in the public eye when he was elected president of the Board of

Aldermen of New York, the only Republican to hold that office since the early days of the century. After his Tammany fighting he came back to Congress and has been here ever since, although he slipped back into local New York politics in 1929 when he ran for mayor against James J. Walker. The Seabury revelations had not been made at that time and America's Prince of Wales smiled away all the accusations which this earnest little Italian made against him and his administration, although Mr. Seabury has since shown how far La Guardia's most unguarded charges were founded upon truth.

CONGRESS is serious business for this stout little short-legged member. He studies more legislation more thoroughly than perhaps any other member. He has as much scorn of the social life of Washington as he has of Republican platforms. He shares fully the views of Senator Norris on the iniquities of the "power trust"; he and Senator Shipstead were the first to introduce bills in Congress forbidding the use of injunctions in labor disputes; he demanded investigation of the administration of the bankruptcy law long before the revelations in New York proved the wisdom of it; he was the sponsor of the retirement program for government employees which is now in effect; he



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has long fought for jury trials in contempt proceedings; he is a leading advocate of prohibition repeal.

This bare recital of some of the things with which he has been most closely identified gives only the most meager idea of the extent of his activities. He is always present at sessions of the House and at the powerful judiciary committee of which he is a member. He works at his office or at home late at night when other members are being entertained. Consequently his quick and retentive memory holds a fund of information which is matched by few others. His crusading spirit, thus equipped, makes him a formidable man whenever he takes the offensive. And that is almost every day—against something.

THE East contributes one other man who is a potential leader of the anti-utility group—perhaps one of the best-known newcomers to the Seventy-Second Congress—David J. Lewis, a Maryland Democrat from the Cumberland section which is predominantly Republican. This is not his first experience in Congress, however. He sat there three terms from 1911 to 1917. One day during his first term he rose to make his maiden speech. It was simply an innocent request of the Speaker for leave to extend his remarks in the *Congressional Record*, which was granted without question.

It was a bulky *Record* that came out the next morning. The extension was about 100,000 words containing all the data, details, particulars, and incidental phases in existence at the time concerning express companies, their rates, operations, expenses, man-

agement, profits, derelictions, and faults. From this extension of remarks there emerged fifteen months later a parcel post law.

That is illustrative of Lewis' method. He is a burrower in his own burrow, but he does anything he attempts so thoroughly that there is little left to say. The exhaustive attack upon the express companies was his first encounter with public utilities, but he shares the Norris-La Follette view with respect to them all. He is a lone worker, however, and a quiet but very effective one.

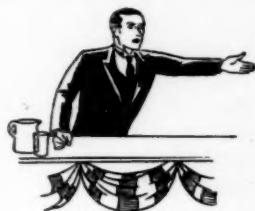
After his three terms in Congress he was appointed a member of the Tariff Commission by President Wilson and served there for eight years. He had intermediate relations with the utilities, however, as the result of an appointment in 1914 by Postmaster General Burleson to investigate postilization of the telephone and telegraph, and during the World War he was in charge of the operation of telephone and telegraph utilities during governmental custody.

After leaving the Tariff Commission his next important task was as a tariff adviser to the People's Legislative Service, a leading progressive organization, during the fight in Congress over the Smoot-Hawley tariff bill. During that time he furnished much of the information which was used so effectively by the progressives in the Senate, and since then by the Democratic National Committee.

He is sixty-two years old and began his contacts with economic life in a Pennsylvania coal mine at the age of nine. He never went to day school but learned to read in Sunday school. Later he studied law and was

The Liberal-Radical Group in the House Has Been Overshadowed by the Corresponding Group in the Senate

"THE anti-utility group in the House has not stirred up any utility companies to fury as have Norris, La Follette, Borah, and Walsh (of Montana) in the Senate. As a matter of fact there has rarely been a utility issue in the House the outcome of which was not definitely predictable. The men in the House who have been most identified with the theory of government ownership . . . have allowed their fellow crusaders in the Senate to wear the shining helmets which caught the glint of the sun."



admitted to the bar. Now he is a member of the American Academy of Science and the British Society for Psychical Research. He will probably never be a vociferous member of the anti-utility group in the House but his scholarly research will undoubtedly supply much ammunition to his colleagues, just as, years ago, it put through the parcel post legislation.

ANOTHER newcomer to the next Congress is regarded by the anti-utility group in the Northwest as a very promising acquisition to their ranks. He is Thomas R. Amlie, who was chosen in a special election October 13th to fill the vacancy created by the death of Henry Allen Cooper from the first district of Wisconsin.

In contrast to Lewis, Amlie is thirty-four years old and this is his first public office. He was selected to run for the vacant seat at a conference of progressive leaders in Wisconsin—which means the La Follette organization. He is reported to be

very able, firm in his convictions, not a compromiser, but his capacity for leadership is as yet untried. Glancing over the other Wisconsin members, however, one is forced to the conclusion that any intelligent and energetic young man must look like a ray of sunshine to the La Follettes.

Amlie was born on a Wisconsin farm and worked his way through the Wisconsin University Law School, during which time he was a star debater. He is now practicing law in Elkhorn, Wis., and was recently elected president of the county bar association. He has been identified with the La Follette organization from the start and has been active and effective as a speaker for La Follette candidates in several campaigns.

NOT quite so new but almost as young is Paul J. Kvale, Farmer-Laborite of Minnesota, who came into Congress in 1929 to fill the unexpired term of his father, the Reverend O. J. Kvale, who died in September of that year. Now he is frequently on the

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front pages because of the possibility that his vote will decide the speaker-ship contest.

The intoxication of such publicity to a new, obscure, and youthful member from an unimportant constituency has been a severe strain upon Kvale. He is not unmindful of the social atmosphere of Washington, to which he was given more direct entrée than the ordinary Congressman by a fondness which the late Nicholas Longworth had for him. If Longworth had lived there would never have been any question about which way Kvale would vote.

As his name indicates he is Scandinavian. His district is where the Farmer Labor party is strongest. He was secretary for several years to his father who was first elected in a contest with Andrew Volstead running on a platform slogan "drier than Volstead." Politically, Paul Kvale is just as dry as his father.

WHILE most of the anti-utility group come from the Northwest the South contributes two men of prominence, Ross A. Collins of Mississippi and George Huddleston of Alabama. Mr. Collins began his fight against utilities as attorney general of his state from 1911 to 1919 when he was very active in anti-trust litigation. Before his day attorneys general had confined their activities to ordinary criminal prosecutions and the argument of civil cases in which the state was a party. Collins discovered that several large corporations were somewhat neglectful of some of the laws of Mississippi. He broke up the cottonseed trust and collected a huge fine from it. He collected a fine of

\$50,000 from the American Telephone and Telegraph Company for purchasing Western Union stock. He obtained a penalty of \$60,000 from the Standard Oil Company for violating Mississippi laws. He started to move against a power company in Jackson but the war came along and nothing was accomplished.

On his record as attorney general he became an independent candidate for governor in 1919 and almost won. The following year he came to Congress as an anti-Wilson, anti-League Democrat and has been here ever since. He is a member of the appropriations committee and his activities in Congress have been chiefly devoted to army appropriation policies, although he is a charter member, with Huddleston, of the People's Legislative Service which is carrying on propaganda for public ownership. He has sought as he once expressed it "to take the tinsel and braid out of the army and make it a fighting organization instead of a social institution." He is carrying on a fight for the elimination of the Citizens' Military Training camps on the ground that they are worthless, ornamental, and propaganda agencies. He handles the private and consent calendar for the Democrats and has reason to be proud of the fact that he was largely responsible for the purchase of the Vollbehr Collection with its Gutenberg Bible for the Library of Congress.

HUDDLESTON is a fiery Alabama orator who belongs to every organization that has fifty members in his district. He represents the Birmingham district where power is a distinct issue. Most of his col-

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leagues do not recognize in him much careful thought as a foundation for his oratory.

JAMES M. Mead of New York (Buffalo is where he lives) acquired most of his advanced progressive views as the result of association with organized labor. In his early days he was a railroad switchman. His first public office was supervisor and later he went to the state assembly where he made a record as a labor legislator. When he first came to Congress in 1917, though a Democrat, he lined up with the La Follette organization on all social and economic legislation.

Opponents have tried to beat him on this issue several times, and it is amazing that they have failed, inasmuch as 40 per cent of his district is rural. He survived the Harding, Coolidge, and Hoover landslides and he keeps coming back to the House of Representatives every year with ever increasing pluralities.

Perhaps it is because he watches his constituency so closely. He spends his time in the district when Congress is not in session. There are no trips to Europe for him and if the people in his district do not want any particular bill he soon finds it out. Perhaps it is because of his ability as a speaker to talk his people into sending him back term after term. Or perhaps it is because they admire his

courage, for when party scraps come along he never evades taking a stand with one side or the other. In Congress he speaks rarely and only when he is thoroughly acquainted with his subject. He is on the committee on Post Offices and Post Roads and his greatest interest is for increased postal salaries.

MICHIGAN contributes one outstanding anti-utility man, Roy Orchard Woodruff of Bay City, who first came to Congress as a Bull Moose in 1912. He spent one term here and did not come back until 1920, but he has been a member continuously since that time. He has gradually toned down since his Bull Moose days so that his greatest activity now is in behalf of such innocent things as forestry legislation, naval aviation, and the suppression of gangsters. He will never go turning over any stones to look for naughty little utility companies crawling under them, but on such bills as come up for action his vote will be anti-utility. During his earlier days of reckless radicalism he was an organizer of the People's Legislative Service, he staged a ballyhoo against the war contractors, and he tried to bring about the impeachment of Harry Daugherty. He is now assigned to the Naval Affairs committee, a harmless place because he knows little about the subject.



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THE rank and file of the anti-utility Congressmen come, of course, from the wide open spaces of the Northwest—Wisconsin, Minnesota Nebraska, North and South Dakota. A majority of the delegations from each of these states is anti-utility. Some of them are energetic and active, some are furtive compromisers, some are the merest privates in the rear rank whose only contribution is a dependable vote.

Aside from Kvale the most outstanding anti-utility man in the Minnesota delegation is Victor Christgau.

Christgau has always been a progressive, but within the last year has become even more active, and now along with Conrad G. Selvig, is pressing energetically for a liberalization of the rules of the House which would increase the power of the anti-utility bloc vastly. His chief interest is not utilities, however. He considers himself a profound agricultural economist and has delusions of grandeur. He was the sponsor of a bill based on land utilization to supersede the Farm Board program. The grain trade is supporting it because it means the emasculation of the Federal Farm Board. Christgau has very high confidence in his farm proposal. He is redrafting it and will press it hard this winter to the temporary exclusion of all other activities.

Selvig, on the other hand, is hampered by his deafness and is unable to be of much use on the floor or in committee. He extends his remarks frequently, however, and works hard on letters to his constituency. He and Christgau participated in the Progressive Conference held last spring and both are on Borah's com-

mittee to draft an agricultural program.

WILLIAM A. Pittinger is the most colorful man in the Minnesota delegation. He is blatant in a way but witty, a hard committee worker, and a good speaker. He is a graduate of the Harvard Law School and practices in Duluth. He is a fairly regular Republican for the Northwest and his chief opponent in elections is always the Farmer Labor candidate instead of the Democrat.

August Andresen of Red Wing is another who keeps to the middle of the road. He is a hard and effective committee worker but under the reapportionment he now has a part of Minneapolis in his district and is expected as time goes on to become more regular because of the business interests of his new urban constituents.

Frank Clague is a former teacher, lawyer, and judge who has a long record in Congress which entitles him to a seat in the Appropriations Committee. He does not make much use of it, however, is in no sense a crusader against the regulars, but came to the progressives last spring on the question of House rules and promises to lean more that way as the Hoover Administration becomes more unpopular.

THE Wisconsin delegation has been for years one of the worriers of the La Follettes. They have recognized its weakness but have not been able to do anything about it because the La Follette organization needed the help of the Congressmen more than the Congressmen, mostly old-timers and well established, needed the help of the La Follettes.



"THERE may be a few ambitious men in the Seventy-Second Congress who will try to put on the cloak of Norris and who will stir their comrades out of lethargy. If so, the utility companies will have a real fight on their hands in the coming session."

Now, however, the blunders of the Hoover Administration have made the La Follettes the royal family of Wisconsin. "Bob" at thirty-six is a power in the United States Senate and "Phil" at thirty-two rules the state from the governor's chair. The re-districting of Wisconsin under the 1930 census will take place at a special session of the legislature soon and the bill will be drafted by Phil La Follette's supporters under his direction. In that bill they can ruin the renomination of any Congressman they want to dispose of. For the first time the La Follettes are in a position to force the Congressmen from that state to go over the top for La Follette policies. There are numerous ambitious young men in the state legislature who want the opportunities of Congress, and nearly all the members of the delegation except George J. Schneider look upon the future with trepidation and have developed an acute sympathy with the unemployed.

Schneider's grammar is atrocious but he is the smartest and boldest of the whole group. He had no oppo-

sition in the last election. He comes from a labor union background and once was vice president of the International Paper Makers Union. He attended the Progressive Conference last spring and is firmly and aggressively for the entire La Follette dogma. Frank and intellectually honest, he would like to see a more cohesive, better unified, and more effective progressive bloc in the House.

JOHAN M. Nelson is a man with a long and distinguished progressive record who has been in Congress with one 2-year exception for a quarter of a century. In the Sixty-Eighth Congress he was chairman of the Independent Progressives and in 1924 was national campaign manager for the senior La Follette when he ran for the presidency. The Coolidge landslide gave the Republican regulars an overwhelming majority in Congress and they promptly punished all La Follette's supporters by pushing them off their committees and depriving them of post-office patronage. Since that time Mr. Nelson has been a very much tamed progressive. He sup-

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ported Herbert Hoover in 1928 and led a quiet campaign to get his perquisites back. He obtained a much desired chairmanship, but the regulars in Wisconsin would not consent to the restoration of his post-office patronage and the new President's Postmaster General listened to the regulars.

As chairman of the Committee on Invalid Pensions he undertook a study of the whole pension and compensation business which produced valuable information. He decided to take up one subject for statesmanlike work and chose Philippine Independence, one which would appeal to the progressives, incidentally, and at the same time not offend the regulars unduly. He is a Phi Beta Kappa, a hard worker, and has made several profound speeches. He is a dry—but very careful about it.

JAMES A. Frear likewise has been in Congress for a long time—nearly twenty years. He is also one of the group that was punished for participation in the 1924 La Follette campaign. They took him off Ways and Means, the most powerful committee in the House except Rules, and put him on Indian Affairs. He immediately took a 6,000-mile trip to the reservations and stirred up a first-class fuss over the administration of Indian affairs. He was transferred to the Committee on Flood Control. There he languished until 1928. Then he campaigned for Hoover with all his vigor and was the only one of the progressives in Wisconsin who did so. When the new Congress organized he was put back on the Ways and Means Committee and his

post-office patronage was returned to him.

His Ways and Means assignment placed him in the thick of the tariff fight. On the day when there were eight roll calls in the House on specific items in the tariff bill he voted according to local dictates, sometimes with the administration, sometimes against it, on those items which were of particular interest to Wisconsin. On all other votes that day he had important business in the cloakroom.

HUBERT H. Peavey will never cast many votes against the utilities because he will never be present to cast them, but if he should happen in Washington some day when such a vote is in progress he would not debate which way to vote. He is on four committees, however; Census, Indian Affairs, Pensions, and War Claims.

The roaring John C. Schafer has voted against the utilities in the past but is not a real insurgent. He split away from the La Follettes in 1924 and has been attacking them in Milwaukee ever since. He comes back year after year not because Milwaukee is anti-La Follette, or because he is clever, but because he is the most vociferous wet in Congress.

STRANGELY enough, although Nebraska is Senator Norris' state, the only anti-utility men it sends to the lower house are three Democrats of whom J. N. Norton is the most active. He was first elected in 1926 but was beaten in 1928 by less than 200 votes while Hoover carried his district by 18,000. In 1930 he defeated Charles H. Sloan, a regular Republican, and is back again, apparently to stay for some time. He is a

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very able speaker with a long training in the state legislature, and, though he runs on the Democratic ticket, is more a follower of Norris than of his party.

John H. Morehead is a school teacher, farmer, merchant, and banker who was twice governor of Nebraska. He is a very substantial individual and has had a very good record. He holds the Norris viewpoint most of the time.

Edgar Howard, a "free Democrat," is one of the most picturesque characters in Congress. He is a chauvinist of the first order and not only clings to the old Bryan doctrines but also to the Bryan hair-cut.

NORTH Dakota sends two anti-utility men to Congress, one representing the Non-Partisan League (still strong in that state) and the other its opponent. Olger B. Burtness of Grand Forks, the anti-League man, is an old La Follette supporter of about 1910 when North Dakota was a La Follette state. The league came rumbling along the political horizon while Burtness was in the legislature. He attacked it, made a big record, and went to Congress. He is a fairly good debater, a hard committee worker, is always present and always votes. Fargo and Grand Forks, the two largest cities of the state, are both in his district and have always sent an anti-League man to Congress.

James H. Sinclair, as a Non-Partisan League candidate, first beat a regular Republican and came to Congress the same year that Senator Frazier was elected as a Non-Parti-

san League governor. He has been a follower of Frazier and Nye ever since except that he broke away and voted with Burtness for the tariff bill. The Non-Partisan League had the curious effect of driving numberless La Follette men of the early days to the regular Republicans and now to Hoover supporters. Otherwise La Follettism would have swept the whole Northwest and the men that section sends to Congress would have been much more vigorous in their opposition to the utilities.

CHARLES A. Christopherson of South Dakota is a quiet effective worker who has always been identified with the progressive wing of the Republican party. He never hesitates to oppose the organization and vote against measures in which he does not believe; at the same time he is not a blatant attacker of everything and everybody. Consequently he is not a shining figure, but he is held in high regard by his associates. He is not a compromiser on general principles, but because of his quiet methods he is adept at the elimination of minor differences; hence he has the respect of both sides. He has a long political background and is regarded as reliable, rational, and reasonable.

Back in 1920 he introduced the first farm relief bill in the house, which later led to the McNary-Haugen Bill. Like many of the Northwestern men, he is dry and has recently taken it upon himself to attempt the passage of the legislation recommended by the Wickersham commission to improve enforcement of the dry laws.

Q "WHY I Believe Government Ownership Is Inevitable—Unless," by PAUL Y. ANDERSON, will appear in a coming issue of this magazine.



What I Think About Federal —and State—Regulation

Where should the one end and the other begin?

During the past few months, while the Federal Power Commission was in the process of reorganization, speculation has been widespread among both the utility industry as well as the state commissions concerning the plans, policies, and purposes of this rejuvenated regulatory agency. To what extent, if any, will it either conflict with or cooperate with the state commissions? To answer these queries authoritatively, PUBLIC UTILITIES FORTNIGHTLY went directly to the chairman of the commission, who in the following article not only defines his present attitude but makes it clear that his point of view is not that of an opportunist, but that it has been matured over a period of twenty years.—EDITOR.

By GEORGE OTIS SMITH
CHAIRMAN, FEDERAL POWER COMMISSION

IN responding to the request of the PUBLIC UTILITIES FORTNIGHTLY for views on the subject of public regulation I find my freedom of speech in some degree abridged. During the present year I have observed that any advocacy of regulation by me is at once interpreted by ever-ready critics as prompted by a desire to secure for the Federal Power Commission a place in the sun.

However, in other years, when I was connected with a fact-finding bureau, I had neither personal nor official concern with Federal regulation, other than the lively interest which every citizen should take in general economic and social welfare. So it

happens that I can find and use earlier expressions of present convictions and thus in some degree possibly evade the suspicion of being an opportunist. Reiteration of such opinions has the added advantage of relieving my associate commissioners of any share in the responsibility for the personal views here expressed but not for the first time made a matter of public record.

My present outline of the ways and means of making regulation most effective and least onerous will be supported by statements quoted without change from transcripts of my testimony before congressional committees and texts of public addresses and contributed articles (with the year

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added in parentheses).¹ These quotations have no historic value as giving date to ideas, but they indicate that the opinions I now hold are well seasoned; at least, my enthusiasm is not that of a recent convert.

PUBLIC regulation of private business becomes necessary to the extent that private business becomes clothed with a public interest. The public utilities are so named because of the indispensable public service they render, the full recognition of which as an economic and social fact has led to regulatory legislation and administration.

"Individual initiative, with self-interest as its impelling force, must be kept subordinated to the common good, and in the evolution of popular government this control has become not less but more effective. Until we have become a nation of what Governor Marshall has termed 'automatic citizens'—who realize 'that they may "go the limit" in the way of success, but that they must not injure their fellowmen'—it will continue to be necessary for government to regulate private enterprise." (1912)

As a descriptive term, "public service" when applied to corporations implies a kind of partnership with the public, and more and more that type of economic partnership is coming to exist between industry and public, between producers and consumers. And this relationship is dynamic—it does not and cannot stand still; community of interest

leads to mutual responsibility, and that in turn to a sharing of benefits, until any sharp line dividing the social values between the community and its service corporation would be difficult if, indeed, necessary.

"Lest some of you may share in the narrow view that regards regulation as a synonym for interference, allow me to repeat that if we recognize the people as a partner, possessing a common interest in the profits of the business, we can reasonably expect from them a partner's sympathetic coöperation. The practical ideals of both private owner and public user of a modern public utility like an electric-light plant are to lower prices by keeping down costs and to improve service by increasing output." (1915)

IN the electric public utilities regulation has necessarily displaced competition, partly to avoid wasteful duplication, but largely because of the engineering fact that in electric generation—whether from water power or in steam plants—large units and large systems permit higher efficiency.

"Low costs of operation and better service are results that appear to follow naturally the creation of these combinations of power plants." (1915)

"Water power, to my mind, is a natural monopoly." (1910)

"The combination of several water powers differing in character in order to serve many markets having diversified service requirements makes possible an economic adjustment of supply to demand, and thus the result is a natural tendency to statewide and even interstate units of operation. Nature's irregularities are thus equalized and man's varied requirements are similarly balanced." (1915)

"A natural monopoly of that kind can be absolutely beneficial to the consumer in the matter of decreasing cost and also, what is equally important to the consumer, in increasing efficiency and reliability of service." (1914)

"Such are the advantages to the people that are possible through hydroelectric development as a natural monopoly; it remains to make the possible advantages actual. It is the recognition of this interdependence of the corporation serving the

¹The quotations are taken from congressional hearings in 1910 and 1914; addresses before mining engineers, San Francisco, 1910, and the American Institute of Mining Engineers, Cleveland, 1912; the Sigma Xi and Phi Beta Kappa, University of Illinois, and the Pan American Scientific Congress, Washington, 1915; an article in the *Atlantic Monthly*, 1922; portions of United States Coal Commission Report 1923; and addresses before the American Bar Association, Seattle, 1928, and at American Committee banquet, World Engineering Congress, Tokyo, 1929.

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people and of the people served by the corporation that has developed, only since 1907, this idea of effective regulation of public utilities." (1915)

"Electrification is a word pregnant with the idea of economy; the electrical engineer finds for his supply a demand created by the very efficiency with which the electric current is harnessed for the use of man. And every year the cost of electric energy to the consumer is lowered." (1929)

BEFORE discussing the ways and means of public regulation, let me mention one agency that needs little statutory authority for its almost automatic working.

"Publicity is logically and practically the first step in effective regulation by the people." (1915)

Protection of the public interest in any business requires first of all a better public understanding of that business.

"Guided by facts rather than rumors, by information rather than prejudice, the people will be able to exercise wisely the powers of the government over this type of private business to which society has given a larger value and special opportunity." (1923)

"Many who lead in the thinking for modern industry might be quoted in direct opposition to the older idea, once vehemently asserted, that the books of corporate business are private and must not be opened to public view, even to governmental inspection. It cannot be too often repeated that the simple and sure way for business to win public confidence is to take the public into its confidence. Secrecy breeds suspicion." (1928)

ALLIED with this beneficial shining of the bright light of publicity on the inner workings of all private

business which possesses anything of the public service character is the requirement, becoming more and more general, of standardized systems of accounting.

"Back in 1906 an executive of a large railroad system, who is perhaps the leading authority on railroad accounting, remarked to me that the Interstate Commerce Commission had one thing to its credit: it had forced the railroads to keep the proper kind of books. It is plain that the accounting which is now being prescribed by the various public service commissions will also prove beneficial not only to the public in general but to the management and the investors in particular. Too much has been concealed by skilful bookkeeping—wasteful operation as well as questionable financing." (1915)

IT is by comparison with other types of private business that the public utilities are seen to be established on a firm foundation when tested by adversity. Methods of stabilization through efficiency and economy have not been acceptable to other industries because they "seem to run counter to the established ideas of the rights and privileges of private business; but public regulation has already taken similar liberties with the public utilities, and for the general benefit of all concerned. Monopoly of market, regulated quality of service, and prices adjusted to costs are now accepted as basic premises in the conduct of what are well termed public service corporations. What was private business a few years ago has now



QUOTE "I BELIEVE now as I did seventeen years ago that 'what we need today is to get the Federal action to coördinate itself with the state action. . . . I think that the Federal jurisdiction comes where in the one case there is no state body exercising jurisdiction, and in the second case where it is an interstate problem and where neither state body, even if it existed, could control.'"

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become public business; and it is noteworthy, too, that the public service executives have visions of future advances in economy of power generation and distribution in the public interest far beyond anything proposed by private initiative in the coal business." (1922)

WHEN Congress began to discuss Federal legislation on the regulation of water power, the question of possible conflict between state and Federal authority was raised repeatedly. The point was then made, however, that with provision for the "combination of plants and combination of companies, to the end that there should be full monopoly wherever monopoly is natural, there should be not only regulation, but it should be the most effective regulation that can be devised, because you are going to deal not only with large units, but you are going to deal with very powerful interests, which is just where we do not want to rely simply upon the power of a municipality or of the state, but we want to link up with those, it seems to me, the Federal power, to the end that we will have regulation that regulates. The Federal government is none too large or powerful to deal with some of the corporations that are already entrenched in the western fields." (1914)

"And why is it not wise to provide two methods of protection for the public as a matter of safety? The engineers introduce into their engineering work a factor of safety, and I think the more factors of safety we introduce in the legislation which is for the public welfare the better. The safe proposition is to provide for both agencies, that both can work together when it is advisable, and in the event of the state regulative agencies not being effective the Federal agency can be called in. I believe that it will be found there will be plenty for both agencies to do." (1914)

"Whatever the governmental agency, Federal, state, or municipal, any or all will become more and more active in the public interest. The method of control may be based upon public ownership of land, police powers, or preservation of navigation; the primary results sought will be public protection. Once certain natural monopolies were recognized as the proper possession of the sovereign prince; later the divine right was regarded as inherent in certain large corporations; today the sovereign people have begun to claim a share in the benefits that naturally flow from a natural monopoly. These public utilities are in the natural monopoly class simply because the community requires centralized service; a large part of the value of the monopoly originates in the community, and the people's right to a share in the benefits is, therefore, fundamental." (1915)

EXCEPT as we are prompted by some purpose other than the simple desire to protect the public, the question of jurisdiction remains largely academic. The issue for and against any Federal participation has been debated for two decades, and unfortunately behind most arguments for limiting the safeguards to a single regulating agency there has been either a yearning for less regulation or an itching for more of the regulatory power. Whatever may have been the mistakes of corporation representatives in raising the issue, the only excusable rivalry between public officials is competition in effectiveness of service.

I believe now as I did seventeen years ago that "what we need today is to get the Federal action to co-ordinate itself with the state action. When I say 'government' I do not want it understood that I am spelling it with a capital G, meaning simply the Federal Government. To me government means state government as much as it means Federal Government; and I think that public regulation means Federal regulation plus



Federal Regulation Should Supplement and Complement State Regulation

“CONSIDERABLE experience in fact-finding activities has taught me the large possibilities of effective coöperation between state and Federal agencies. In such purposeful coöperation duplicated action should be feared less than incomplete action; overlapping, though expensive, is not so serious as gaps in the regulatory service needed by the public. With the principle in mind that Federal regulation should supplement and complement local or state regulation, coöperation between commissions becomes in practice simply a joint effort to insure 100 per cent regulation.”

state regulation, or, the other way around, state regulation plus Federal regulation. I think that the Federal jurisdiction comes where in the one case there is no state body exercising jurisdiction, and in the second case where it is an interstate problem and where neither state body, even if it existed, could control.” (1914)

CONTACT with public business as a Federal public servant has not yet submerged my belief in the advantages of local self-government.

“While supposedly a glaring example of the bureaucrat, I profess little faith in the success of a hierarchy or bureaucracy whose Washington-centered sphere of benevolent control will be coincident with the extent of our nation. As a citizen I have not yet brought myself to believe that the sole authority resides in the executive department or Federal bureau in Washington.” (1910)

EVEN before the World War the present-day problems in interstate regulation had been forecast in actual conditions. It was then true that “the tendency is more and more toward interstate development by reason of the fact that we are having this concentration—and an economic concentration—of operating companies under one head, that concentration being no less obvious in a physical sense than it is in a financial sense. Already one of the companies which has been represented here is operating in three states.” (1914)

ANOTHER company was described in testimony before the Senate committee as “altogether and somewhat extensively interstate in character, the corporation belonging to

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one state and having its principal office in a second state, generating its power in a third, and selling its power in a fourth state. It is doubtful, in my opinion, whether any one state could really effectively control that particular company." (1914) Today such a company is no longer unique.

Especially is it true that as industry and commerce continue to expand and to increase in complexity, business and government must live and work together. Perhaps no better illustration of the proper function of government can be given than that furnished by the umpire.

"In the simple school-boy game of ball we all played we recognized no outside authority to call strikes, but a match game required some method of preventing premature termination of the contest, and professional baseball without an umpire to guide the game is beyond imagination. But the umpire doesn't play the game himself—he only enforces the rules that have been found necessary. A good umpire does not hamper or retard progress—rather, he facilitates and speeds up the great American game, even though his decisions may not please both sides and often least of all the consuming public on the stands. How close the likeness between umpire and public official, when the bleachers become vocal! And the fewer the umpires that are needed and the less decisions that must be made the better, we will all agree." (1928)

As with the umpire so with the regulatory agency, impartiality is a first requisite. Regulation, wisely and fairly administered, whether it relates to rates or to valuation, means being "fair to both parties, the investor and the consumer. We are representing the investing public just as much as we are representing the consuming public, and being fair to either one necessitates being fair to the other. I fail to see that there is going to be in state and Federal

regulation any danger to the public—and by 'the public' I mean the man who invests in the securities of the company just as much as I mean the man who buys the service and the energy from that company." (1914) "No appeal for public welfare should obtain a large hearing that fails to express an equal desire to do justice to the individual or corporate owner as well as to society in general." (1915) And we do well to remember that regulation is not management: the umpire might make a poor captain of a team.

How to regulate is something to be worked out in practice rather than by theory. Publicity has been mentioned as a first step in regulation by the public, but, of course, back of effective publicity must be fact finding. Obviously a solid foundation of facts is absolutely essential, else the exercise of regulatory functions by either state or Federal agencies will jar and shake the whole structure. And in the collecting of facts and in making them public, state and Federal governments can cooperate to the fullest degree without quibbling over bothersome jurisdictional questions. Indeed, such co-ordination of effort is necessary to get all the relevant and material facts—all of which the public has a right to know—and to publish them in the form that will be most useful. Neither electric currents nor economic facts are limited by state boundaries.

ANYONE who attempts to study the fiscal phases of the utility situation—questions relating to net investment or historical cost, to security issues, or to rate bases—knows how

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Q "WHEN Congress began to discuss Federal legislation on the regulation of water power, the question of possible conflict between state and Federal authority was raised repeatedly. The point was then made, however, that with provision for the 'combination of plants and combination of companies, to the end that there should be full monopoly wherever monopoly is natural, there should be not only regulation, but it should be the most effective regulation that can be devised.'"



often he is halted by a lack of pertinent information of comparable value. So also when the facts to be used refer to the engineering and economic sides of the power business—questions relating to costs of production and of distribution, to efficiency of service, or to losses in transmission—trustworthy comparisons of systems are found impossible because of gaps here and there in our knowledge. What is needed is a systematic setting down of all the facts by which efficiency and economy of operation can be measured and their periodic publication by public agencies. This would be more easily accomplished and more fruitful of results than the spasmodic issue of questionnaires.

PERHAPS the most widely read editor in America has remarked that the frame of mind of the public is of more real interest to corporations than profits. Undoubtedly this comparison is especially applicable to the public utility business. Here the connection with the consumer is so direct that popular good will is an essential part of the business as regards both security of investment and present returns. This makes absolutely necessary full publicity regarding the details of the business. The relation

between producer and consumer is not that which exists where the purchase is an occasional one made in an open market at the option of the buyer, but rather a continuing and increasing dependence upon a single seller of service wherein there is no choice except to pay the price. Even if that price is determined by a public agency there is too often a natural suspicion that regulation is unduly influenced by the monopolistic corporation. When this spark of suspicion is fanned into flame by political propaganda, the only safeguard against destruction of the existing order is back-firing with full publicity.

PUBLICATION of the truth, therefore, coöperatively promoted under the leadership of a central agency like the Federal Power Commission, will not only be beneficial in the guidance of public opinion but thereby will also help the power industry itself. It should be recognized that regulatory agencies should be coöperative in spirit and practice between themselves and also with the utility corporations. Considerable experience in fact-finding activities has taught me the large possibilities of effective coöperation between state and Federal agencies. In such purposeful coöperation dupli-

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cated action should be feared less than incomplete action; overlapping, though expensive, is not so serious as gaps in the regulatory service needed by the public. With the principle in mind that Federal regulation should supplement and complement local or state regulation, coöperation between commissions becomes in practice simply a joint effort to insure 100 per cent regulation. Nor should coöperative effort stop there, for regulation to attain its best results must include sympathetic coöperation between commissions and utility companies. The regulation through voluntary conference found so satisfactory in California is perhaps the best exposition of what is meant by sympathetic coöperation, and already I know the value of informal conferences in carrying out the purpose of the Federal Power Commission. The Federal Water Power Act was plainly intended to promote—not prevent—the

utilization of a great natural resource.

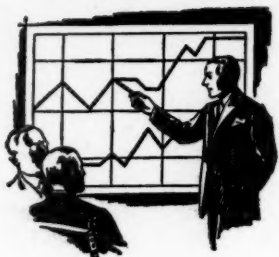
The practical ideal to be sought in public regulation, local, state, and Federal, is to make it most effective and least onerous. While it is a problem in social economics to secure for the public its share of the benefits from the scientific genius, engineering skill, and financial courage that have created the public utility, equally earnest thought must be given to the necessity of promoting and encouraging engineering and executive efficiency. There is a fine balance between public regulation on the one side and individual responsibility on the other, and this balance must be maintained unless we are to lose that American spirit that Robert Sibley has recently described as "the undying urge of the highest type of individual initiative."

Regulation in the public interest can and should promote that urge—not stifle it.



What the State Lawmakers Have Done for and to Regulation in 1931

IN the next number of PUBLIC UTILITIES FORTNIGHTLY will appear the first of a series of two articles by GEORGE E. DOYING, that will summarize the outstanding features of the legislation which has both extended and curtailed the powers of the state commissions, and which point out the more significant trends in the solutions of regulatory problems. Out December 10th.



“Value of Service” as a Factor in Utility Rate Making

Except in its limited application to railroads, it has received almost negligible consideration: Is it because its importance cannot be gauged by a formula?

By C. ELMER BOWN

ONE of the striking facts about the rate regulation controversy is—and has been—the neglect of value of service as a principle of rate making, particularly in its relation to utility income. Yet the value of service is admittedly the most important consideration in the making of railroad rates, although its application is restricted to rates for particular movements or classes of traffic. No other utilities provide such diversified service as the railroads; there is, consequently, less opportunity for applying value of service in establishing their rate schedules.

In the case of both the railroads and the other public utility corporations, the fear that they will exercise a too exclusive monopoly has resulted in rate regulation that has become simply attempts to limit the income derived from utility service.

IN all the controversy over utility income there is one aspect of value of service which has been almost entirely overlooked; that is, the value of the utility enterprise to the community.

Generally speaking, the value of the service rendered by any enterprise to society is the profit realized from the undertaking. In this country the business enterprises which have been successful have been profitable to a marked degree; they have made profits far exceeding the conventional six or seven per cent allowed the public utilities. This has been due, of course, to the happy combination of circumstances that has existed in this country—great material resources, free institutions, and the consequent opportunities for business leadership. Yet the most important of these factors has been the personality of the leaders,—the vision, in-

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telligence, and courage of the men who have built these great businesses. Opportunities for profit attract both capital and managing ability; it well may be that if the utilities were free to carry on their business without governmental interference with their profits, the public would in the end gain more from the resultant enterprise which this would encourage in their managers than it would lose from excessive rates.

VALUE of service is mentioned occasionally in discussions of rates, but it has not been given very serious consideration by students or public authorities except in its limited application to railroad rates. The objections that it is impracticable and leads to the basing of rates on monopoly values seem to be considered insuperable difficulties in the way of its use as a general rule of rate making. The principle reason for the belief that it is impracticable appears to be that the principle cannot be reduced to a formula.

I do not know whether anybody has attempted to devise a formula for making rates in accordance with the value of the service, but practical men have made rates in this way from the early beginning of the utility industry and are doing it today. The Interstate Commerce Commission virtually follows the value of service method of fixing rates, usually by comparing the rates under consideration with those established elsewhere. Undoubtedly, there are principles which govern the art of rate making, even though they are not reduced to concrete rules; this fact, however, does not render the principles any less

applicable. A formula is satisfying to a certain type of mind, but the attempt to apply it in practice does not always produce satisfactory results. The present Chief Justice of the United States Supreme Court took the correct view when he said in the Minnesota Rate Cases:

"The ascertainment of that value is not controlled by artificial rules. It is not a matter of formulas, but there must be a reasonable judgment having its basis in a proper consideration of all relevant facts."

Surely a competent man can exercise a reasonable judgment on the value of service in the same way as he is required to do on the value of property! And if every rate is the fair value of the service in question, why is not the sum of all the rates the fair value of all the service?

THE fear that rates made in accordance with the value of the service will be extortionate because based on monopoly values seems to be rather exaggerated. Competition exists to a considerable extent in the public utility field; even did it not, other forces operate to keep down rates. The street railways had almost a complete monopoly of urban transportation for many years prior to the introduction of the motor vehicle into general use, but they were long unable to charge more than a 5-cent fare simply because ratepayers would not pay more. Custom had the force of a law in this case. And, extortion does not pay. It is well known by both economists and business men that a large volume of business at a reasonable or even a small profit is more advantageous than a small volume at extortionate prices.

The great importance of the value

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of service principle is that it is dynamic. Professor Ripley takes this view of the matter so far as it relates to rates for particular movements or classes of traffic on the railroads. He thinks, however, there must be limits to the application of the principle to railroad rates generally.¹ The introduction of a dynamic principle in utility rate making should have beneficial results. In addition to helping the utilities in competition with other industry for capital and managing ability, it would encourage progress in the utility arts and stimulate demand. One of the principal objections to present methods of rate regulation is the assumption of a static condition in the utilities and the failure to make provision for the need of these enterprises to grow and develop.

PRESENT methods of rate regulation are satisfactory on the whole to nobody. The litigation involved is tedious and expensive and the results generally do not seem commensurate with the effort. The fundamental difficulty may be due to a disregard of the economic laws which govern the matter. There is probably a tendency on the part of utility rates to adjust themselves in accordance with the value of the service. Where this materially exceeds the rate of return fixed by regulating authority, trouble will follow, just as it does when government attempts to control the op-

eration of the law of supply and demand by fixing prices.

Rates based on value of service may not be in accord with popular views, but if the principle is correct scientifically, other methods are not likely to work satisfactorily. Popular views are based largely on assumptions which are subject to important qualifications. Not all utilities are monopolies; not all monopolies can or do charge extortionate prices; not all utilities are exercising functions of government. Most of the utilities are highly specialized businesses, employing private capital in their operations, subject to the vicissitudes of business and subject to economic laws in the conduct of their affairs.

THE utilities and the public both will eventually be forced to face the issue. Changing economic conditions will make the problem of finding fair value of property increasingly difficult and will impair its usefulness as a rate base. Prudent investment seems to me to be open to the same sort of objections. The demand for public ownership will become more insistent as the dissatisfaction with the results of present methods of rate regulation increases.

If the benefits of private ownership are to be preserved to the country, it can only come through an understanding of the economic laws which govern utility operations and a system of regulation which conforms to them.

¹ "Railroads," Volume I. p. 177 *et seq.*

A Novel "Yardstick" for Measuring the Quality of Utility Service

How the Commerce Commission of Illinois is successfully applying a system which it devised itself for determining the comparative ratings of electric and gas service, will be described by NEIL M. CLARK in a coming issue of this magazine.

Remarkable Remarks

"There never was in the world two opinions alike."

—MONTAIGNE

ROGER BABSON
Economist.

"The only cloud over the utilities is politics."

GEORGE ROTHWELL BROWN
Newspaper columnist.

"The only kind of boom in sight is the kind you faw down and go."

ED. HOWE
*The "Sage of Potato Hill,"
Kansas.*

"It is as difficult to run a railroad in this country in 1931 as it is to run a saloon."

M. EDGAR POHNER
Editor, "Rate-Payer."

"The water utilities seem to be able to give excellent service without loading up their rate-making accounts in every conceivable way."

PAUL CLAPP
*Managing director, National
Electric Light Association.*

"If you want to find out if there is such a thing as a 'power trust,' take my job as managing director of the N. E. L. A. and try to get a concurrence of opinion on anything."

C. E. GROESBECK
*President, Electric Bond and
Share Company.*

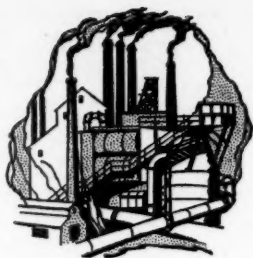
"The stability of government itself is threatened when it abandons the rôle of arbiter in the field of business, and steps down into the market place to barter and sell the things which gives its citizens their livelihood."

FRANK P. MORGAN
*Alabama Public Service
Commission.*

"Did you ever compare the pre-war subscription and advertising prices of those radical newspapers that raise such a hue and cry about the price of electricity, with their present-day prices, and then make the same comparison between pre-war rates and the present rates charged for electricity?"

A. B. WALTON
*President, The American Bureau
of Commerce.*

"If the utility magnates continue in their efforts to defeat adequate regulation by state commissions, and if they are able through their political influences to have their followers appointed to, or employed by state commissions, then we must have either Federal control, with the possibility that the utilities will regulate the Federal regulators, or we must have public ownership."



A Unique Effort at Regulation by Government *Fiat*

The situation that confronts the oil industry today as the result of Uncle Sam's experiment in stimulating a production which he now seeks to curtail—by new laws—over the heads of the state regulatory commissions.

By CHESTER T. CROWELL

WHEN the next session of Congress convenes we shall be regaled with the inspiring spectacle of government seeking to regulate and thus to save the petroleum industry.

Of course, there is the possibility that the program may not finally be enacted into law, but the program exists, the bills are drawn, and the scheme awaits only the sounding of the gong for presentation. This patriotic effort will be worthy of close scrutiny for several reasons:

First, because it will furnish another interesting example of government trying to save the day by enacting legislation to stop activities it originally demanded:

Second, because the facts in the case are not open to dispute.

The latter situation is rare and, therefore, allows a clearer examina-

tion of the principles involved than is usual in these situations.

LET us begin with an examination of the facts.

About eight to ten years ago there was much perturbation because of the petroleum shortage. Here we were turning out millions of automotive vehicles every year with no certainty that the gasoline supply would hold up. As a matter of fact, we were producing roughly 70 per cent of the world petroleum while the experts estimated that we had probably not more than 18 per cent of the known supply. Obviously, if we should go on long enough at this rate, the time would come when we would have none and, therefore, pay through the nose to foreigners. What of our navy? What of our industries, especially along the Atlantic seaboard? The

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coal industry had been busily committing suicide for more than a decade and with the arrival of cheap fuel oil from the rich fields in Mexico industry along the Atlantic seaboard had been turning to fuel oil. But the Mexican fields close to tidewater were declining and owing to the instability and unfriendliness of the Mexican Government American oil companies were not eager to develop fields farther inland. Such development would have called for the investment of many additional millions of dollars. Would their pipe lines be safe? As a matter of fact even the titles to the lands they had bought were being questioned.

Thus with Mexican production certainly destined to decline and domestic production showing less than safe increases, there was sound reason for alarm.

THE Federal Oil Conservation Board considered the matter and made several eloquent reports to the President of the United States. Here, for example, is the gist of the conservation board's report of September, 1926 (page 12):

" . . . The fields of Mexico and South America are of large yield and much promising geologic oil structure is as yet undrilled. That our companies should vigorously acquire and explore such fields is of first importance, not only as a source of future supply, but supply under control of our own citizens. Our experience with the exploitation of our consumers by foreign-controlled sources of rubber, nitrate, potash, and other raw materials should be sufficient warning as to what we may expect if we shall become dependent upon foreign nations for our oil supplies. Moreover, an increased num-

ber of oil sources tends to stabilize price and minimize the effect of fluctuating production."

AND here is the conservation board's report to the President of the United States during January, 1928 (page 5):

" . . . Roughly the United States is producing and consuming twice as much petroleum as the rest of the world. Our distribution of oil to other countries, chiefly in the form of refinery products, is a large and notable item in world trade.

"Neither the high rate of domestic consumption nor the excess of exports over imports would be disquieting if the petroleum resources of the United States bore anything like the same ratio to the world's resources as the production ratio of 68 per cent. According to the present opinion of our best petroleum geologists, our total resources, instead of being 68 per cent of those of the world, are not more than 18 per cent. If our petroleum reserves are not to be drawn upon at a faster rate than those of all other countries, our resources should be several times larger.

"The obvious inference is that the United States is exhausting its petroleum reserves at a dangerous rate. If the international comparison is made, this country is depleting its supply several times faster than the rest of the world. How real is the danger expressed in this fact and what remedy can be devised are questions confronting the American people as they plan for the future. At least, the effort should be made to propose measures that will minimize and delay the undesirable future outcome of this excessive drain upon a limited though admittedly large reserve. In this planning for the future the principal units of the oil industry itself, with their large refinery capacity and distributing systems, both domestic and foreign, have a stake second only to

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that of the nation and may well be counted on to join forces in the common interest. The depletion rate of our own resources can be brought more into accord with that of foreign resources only in one way—by importing a greater quantity of crude petroleum. The present imports of Mexican and South American crude oil come largely from American operators and, while not obtained from United States oil sands, they are the product of American engineering and enterprise. Coöperation in the development of foreign oil fields, through technical assistance and the further investment of American capital, would seem to be a logical conservation measure."

MEANWHILE the oil companies had been cogitating this situation in their own simple capitalistic fashion and it struck them also that something ought to be done, so they began poking around in likely-looking geologic formations in South America. They found oil repeatedly but not in exciting quantities. Nevertheless they went on spending various millions of dollars, being warmly applauded by the conservation board and other governmental authorities. Finally they stumbled upon the great oil fields in and around Lake Maracaibo, Venezuela.

Here, at last, was something to chortle over.

The field was enormous, the wells

easily drilled and right on tidewater, the Venezuelan Government secure and friendly, the American market eager and growing. Production climbed rapidly until in 1929 it reached a peak of 137,000,000 barrels. By the present time it could be half again as much if demand had held up but worldwide depression came during the following year and the drilling of new wells ceased. Even so Venezuela had become second only to the United States in petroleum production; the failing Mexican supply had successfully been replaced and industry assured. This does not mean that new high records for American import of petroleum resulted; the high record was reached in 1922 with an average of 372,500 barrels daily, mostly from Mexico. This was before Venezuela had become a producer worthy of mention. The enormous imports from Mexico were due largely to a domestic shortage that, at the time, seemed destined to grow worse. After the peak of 1922 imports, the domestic situation improved.

THE art of drilling improved with the years; costs decreased; drills could tap much lower levels and find new pools; exploration continued. Production in Oklahoma bounded upwards as a result of the opening of



Q"THE government has not kept faith with these oil people. They were told to go out as patriots and, now, having performed their mission, they discover themselves regarded as outlanders. . . . What, one wonders, will be their sentiments five or six years hence, when governmental bodies again urge them to fare forth into strange lands and seek the vitally necessary supplies their countrymen need?"

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new fields; Wyoming entered the lists; California discovered new deposits; Texas reopened new fields directly under older ones that had been exhausted. All of these developments, however, merely served to meet the growing requirements for gasoline until the beginning of the depression of 1930.

Then the situation again changed, this time suddenly and drastically.

There was too much oil.

The producing companies began to consider proration of production and worked out a program that functioned fairly well. Since the American companies operating in Venezuela were a part of the American oil industry they readily coöperated and quickly dropped their imports from 137,000,000 barrels annually to 116,000,000 barrels. Drilling was stopped. All of these companies produced or purchased petroleum in American fields as well as in Venezuela so they had no reason to engage in ruinous over-production.

THE situation economically was just about saved when independent (or as the oil industry calls them, wild-cat) drillers opened one of the greatest fields the world has ever known in East Texas. That field produced in January, 1931, just after it was discovered, 2,600 barrels daily. In August, 1931, it reached a production of 600,000 barrels with a measured potential production of 900,000 barrels daily. As a result the price of oil in that field dropped to 10 cents a barrel of 42 gallons and there were reports of sales at even lower prices. Oklahoma, Kansas, and other states were also affected. The governor of

Oklahoma ordered all production stopped under threat of martial law, until the price should rise to one dollar a barrel. Over-production had already hit the industry in January, 1931, and under the proration agreements American companies operating in Mexico and Venezuela had stopped drilling but the undisputed and indisputable statistics for that month show that 2,039 wells were then being drilled in the United States. This was not in violation of the agreement because most of the companies and individuals drilling these wells were independent and not bound by any proration scheme. While the situation was growing worse from day to day they went right ahead, defying obvious and published facts, showing that their wells would bring disaster.

FROM 2,600 barrels in January, 1931, the new East Texas field increased its output to 353,000 barrels in June of 1931. With the price then about 10 to 15 cents a barrel, independent drillers still continued on their course until production reached 600,000 barrels daily in the first week of August. By that time the Texas legislature was in special session to see if any constitutional means could be found to limit production. Under the Constitution there was no remedy, which, parenthetically, is a tribute to the Texas Constitution for this is an economic and not a legal problem. The wells that created this fearful over-production ought not to have been drilled. However, they now exist and thus become part of the agenda. Moreover, they are on American soil; no dispute about that. If imports from Venezuela could be cut off by



When Uncle Sam Attempts Regulation through Legislation :

“WHEN the next session of Congress convenes we shall be regaled with the inspiring spectacle of government seeking to regulate and thus to save the petroleum industry. . . . This patriotic effort will be worthy of close scrutiny for several reasons:

“FIRST: Because it will furnish another interesting example of government trying to save the day by enacting legislation to stop activities it originally demanded:

“SECOND: Because the facts in the case are not open to dispute.”

an embargo or a tariff high enough to amount to the same thing, it might make a difference in domestic prices. To be sure it would raise costs considerably to the ultimate consumer on the Atlantic seaboard to get his fuel oil by tank car or pipe line from the southwestern states instead of by ocean tanker from wells right in the salt water, but under the changed situation the producer in Venezuela suddenly becomes a foreigner. His name is still Smith, Green, Brown, or Wilson and his company still has an American charter, American stockholders, and American employees, with the American flag flying from his tankers and it is still true that he was told in no uncertain terms that he was exhausting the American petroleum deposits to the grave danger of the American people and that he ought to seek new sources

of supply overseas but now there is domestic over-production.

Something must be done if the independents who drilled hundreds of wells after the industry was already in trouble are to be saved. Moreover, they vote, while the many thousands of Americans producing petroleum in Latin-America do not. Of the latter between ten and fifteen thousand have already lost their jobs because of the uncertainty and are star-scattered over the face of the earth.

THE Atlantic seaboard is the only section of this country which does not produce petroleum in important quantities yet it consumes more than any other geographical division. Under the stimulation of cheap Mexican fuel oil hundreds of industries, both large and small, either were born or found it possible

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to continue profitable operation by divorcing themselves from the chaotic coal industry. Fuel oil from Venezuela has continued to serve them after the Mexican supply diminished. In many instances it is more important to them than the tariff or any other protection. This is especially true of American shipping which finds cheap fuel its only advantage over foreign shipping. The oil from Venezuela has a heavy asphalt base and yields only 10 per cent gasoline, the rest being fuel. It is so heavy in asphalt that millions of barrels are imported to be refined not into gasoline but asphalt paving, for which there is a growing need. It is so cheap that excellent roads can be constructed of this material at one fifth to one tenth the cost of cement. There is almost no domestic petroleum to replace this.

Here, briefly, are the facts. Now for the principle involved.

THE Americans were told that they ought to go abroad and establish new sources of supply under American control.

They did so.

Beyond question those sources will be just as necessary a few years hence as they were three years ago. Fundamentally there is no change. The only new factor is unexpected and uneconomic flush production, principally in one field that must eventually decline. Even at present this field is

expensively far removed from the market served—and first created—by the imported oil. Nevertheless the foreign investment of the American companies which did exactly what their government advised is now in jeopardy of a prohibitive tariff. That investment is certainly upwards of \$100,000,000, probably a great deal more.

Of course, the proposed tariff or embargo may not be voted at the coming session of Congress. It may fail. Or other measures may push it aside as they did at the last session of Congress. But the fact remains that the government has not kept faith with these people. The mere existence of the issue, regardless of its outcome, is a breach of faith. They were told to go out as patriots and, now, having performed their mission, they discover themselves regarded as outlanders. They must go before Congress and shout lustily (also expensively) that they are citizens.

WHAT, one wonders, will be their sentiments five or six years hence, when governmental bodies again urge them to fare forth into strange lands and seek the vitally necessary supplies their countrymen need?

Verily the way of government in its dealings with industry is no less strange than the serpent upon a rock, a ship in the sea, or the way of a man with a maid.

"Let us remember that if business suffers from too much government, it is itself largely to blame. It has not developed self-government as it can and should. In efforts to secure special privileges and what it conceived to be more effective security, it has helped to concentrate power in the Federal government."

—ALBERT C. RITCHIE

As Seen from the Side-lines

WE held some interesting elections lately. Let's recapitulate:

THERE was a Democratic flavor. More than that, it was an odor.

A. HARRY MOORE was elected governor of New Jersey by 75,000. The last prior state canvass saw Dwight Morrow, Republican, elected to the Senate by several hundred thousand.

TAMMANY swept New York with increased majorities.

BUFFALO and Erie county went Democratic, the first time in fifteen years. Michigan, the 8th District, elected Michael J. Hart, wet and Democrat, the first time since the free silver days of 1896. Ohio's 20th District saw Judge Martin L. Sweeney, wet and Democrat, too, whirl to victory.

THESE bye elections gave the Democrats the National House, 217 to 215.

IN the Northeast, New England to be exact, the same trend prevailed. All the Democratic mayors of Bay State cities were reelected.

THE Democrats captured the mayoralty of Worcester, second largest city of Massachusetts and with the greatest diversity of manufactures of any inland city in the world, and they captured the board of aldermen for the first time in history.

SPRINGFIELD (shades of Winthrop Murray Crane!) reelected a Democratic mayor and threw in a Democratic city council for good measure. Lowell and Pittsfield, representative cities of Massachusetts, swung to the Unterrified. Manchester, N. H., ousted its Republican candidate for mayor for reelection

and this northern metropolis went the full distance by selecting a Democratic city council.

NOT to be outdone, Connecticut fell into line, sweeping out the Republican mayors of New Haven and Hartford and reelecting Buckingham, Democratic mayor of Bridgeport.

SENATOR Moses surveyed the wreckage all along the line and calmly and frankly observed that the present and the future are gloomily dark from a Republican standpoint. Mr. Jouett Shouse and the other Democratic mouthpieces waxed lugubriously optimistic, as well they might have.

THE people have a safety valve in these annual and biennial elections. There was no other explosion.

WE all have read the expert and analytical surveyings of these contests and their results. Dr. Fess concedes nothing. The Democrats claim too much.

ESSENTIALLY the people want a change. They want a change from economic conditions. They express their desire for that change through the only effective means left available to them—the ballot.

THE Democratic party afforded them the vehicle for that expression—an expression not of approval of the Democrats but of disapproval of conditions. Had the Democrats been in they would have suffered the same fate, as in 1920 with their accumulation of foreign entanglements, prohibition, high taxes, and the war's débris.

WHAT will be the future results? Will the Republicans learn a lesson and change their course?

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HARDLY, we think.

MR. HOOVER has shaped his course. That course includes war debt moratorium and strict economy, including the army and navy, and no elaborate program of public works. That course seems to have caught the fancy of the public.

TRUE statesmanship implies the changing of one's mind as new events and new facts give cause. Mr. Hoover is dead set on his policy. He believes it to be right. Hence the only change that can come will be of improved economic conditions, improved by the efforts of private business.

WE look to see things done by the Democratic majority in the House and by the Democratic-Progressive Republican coalition that is as certain as day in the Senate.

THE agricultural South has some of the Populism again that demonstrated itself in the time of the general agricultural depression twenty-five and more years ago.

YOU can assume the likelihood of an agrarian domination of ideas and ideals. You may expect an attack upon railroad rates, the Esch-Cummins Act still being to the farmers a symbol of their hard times.

YOU may expect a revival of government operation of Muscle Shoals, with the supplying of "cheap fertilizer" as the reason given.

YOU may expect government appropriations for development of the inland waterways and government barge lines, cheaper transportation being the fetish, naturally, of the agricultural West and South.

YOU may expect an attempt to increase rates on incomes, the surtax brackets, as this will afford them an

opportunity to strike at "the wealth of the East."

YOU may expect a drive for passage of the Couzens' bill for regulation of interstate electric power.

YOU may expect a drive for unemployment insurance and such other welfare policies as may be evolved by the La Follette Committee.

WHATEVER else you may expect can be left to your imagination of what you believe to be liberal, or progressive, or radical.

SENATOR MOSES says it will be a period of legislative stagnation. He evidently relies upon the veto power of the President.

IN the background, but ever present, will be the nation-wide campaigns and elections, impending when Congress is in session.

SENATOR BORAH is probably right when he says Mr. Hoover will be renominated, and for the reasons that Borah states he will be renominated. But the Democratic campaign will develop into a free-for-all, catch-as-catch-can contest, with no holds and no contestants barred.

MORE candidates mean more issues; more issues mean more uncertainty.

THIS session of Congress will be dramatic to the point of sensational; it can be tragic to the point of recklessness.

THOSE who believe in more thorough regulation of public utilities will receive a more considerate hearing and they have the prospect of achieving more of their programs than at any time since the late President Woodrow Wilson was inveighing against "invisible government."

John T. Lambert



OUT OF THE MAIL BAG

Uncle Sam's Venture into Business with the Inland Waterways Corporation

THIS is written with no desire to contradict statements in Herbert Corey's article relative to the success of the government's Inland Waterways Corporation in your issue of October 1, 1931; it is written, however, with the hope that any readers thereof who have been misled into believing that said waterways have been a "business" success may have a fair opportunity to correct their opinion.

As Mr. Corey states, the Inland Waterways Corporation has been a success. It has been a success because it transported in 1929 2,114,470 tons of freight, and because it has shown an annual average profit for the years 1925-1929 of \$82,000, whereas the same waterways prior to incorporation and management by a single government employee showed a net annual loss of \$1,000,000. Therefore, as stated, the corporation truly has been a very great success—for the government. But the reader should not interpret this as meaning it has been a "business" success; it proves merely that if the government gives one capable government employee (in this case one by the name of Ashburn) unlimited power, said capable employee can obtain more satisfactory results than are customarily obtained in government endeavors managed by numerous government employees. It proves nothing more.

I write this because I fear some readers might interpret the article as "another proof" that government should compete with business: it is, however, merely stating the fact that government is already competing with business, and, strange as it may seem to some, actually showing a small profit. But this small profit, as likewise truthfully shown, was on a governmentally managed basis—not on a business basis.

Had the capable General Ashburn been required to manage the waterways on a business basis he would have had to pay at least 4 per cent interest on the \$250,000,000 debt which was necessary to incur in order to put the waterways in such condition that they could carry the 2,114,470 tons of freight handled; this interest would annually amount

to \$10,000,000; he would also have had to pay Federal taxes and some additional state taxes. Had these charges been deducted, the government's \$82,000 profit would have dwindled to an annual loss of around \$10,000,000, or for the period 1925-1929 to a loss of approximately \$40,000,000.

IF those who wish to have the government in business will ascertain from whence came the \$250,000,000 which the government provided to put the waterways in condition to carry 4,114,470 tons of freight, they will find that it was neither given to the government by ethereal angels, nor merely manufactured at the printing office, but that it either came from taxes paid by themselves or from the sale of bonds on which interest is constantly being paid. Hence, as a business enterprise, the waterways are as yet far from a success. As a government enterprise, the corporation and management by one man is a success.

IN 1929 the railways of the United States carried 223,263,595 tons of freight; at the rate required by the successful waterways, namely, \$250,000,000 capital to carry approximately 2,000,000 tons of freight, the railroads would require, to carry 111 times as many tons, approximately \$27,750,000,000 capital. But the railways, being under business management, required only \$22,300,000,000 capital, which figure includes stocks as well as bonds and covers the purchase of their equipment as well as the cost of road, etc. These business managed railways, of course, pay interest on their \$12,459,000,000 bonds and sometimes dividends on their \$9,847,000,000 stocks, and always pay Federal and all state taxes.

Therefore, Mr. Corey's article should not be interpreted as meaning that the government has succeeded in business, but merely that the government once in a great while does succeed in endeavors outside the realm of governing when such endeavor has at its demand unlimited funds, upon which funds no interest must be paid out of the profits of the endeavor.

To some it is more humiliating than interesting to realize that the people who manage one's government can make only so small a profit under such undreamed of Utopian

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circumstances, I agree with Mr. Corey, however, the subject is worthy of thought and justifies his article; we truthfully are not yet living in Utopia as some may think—all our duties cannot yet be passed on to the government to successfully handle for us.

ALBERT F. A. KING,
Philadelphia, Pa.



The Defense of the Public Service Companies against Radical Propaganda

THERE is one honest criticism that can be made of the managers and owners of utility properties; they have not organized for the defense of their property rights. They seem to lack the courage to make an aggressive fight; they have not, until recently, hit back at the socialistic propaganda conducted against them.

Thus, when Charles Edward Russell writes, in a recent issue of PUBLIC UTILITIES FORTNIGHTLY: "The ease with which rates have been increased, corporation powers extended, franchises obtained, water-power sites accumulated, public officers controlled, discussion suppressed, and the organs of public opinion manipulated," and so on, the utility corporations maintain silence. Yet no proof is offered in substantiation of such socialistic accusations.

Take for illustration our greatest public service industry, the steam railroads of the nation:

The railroads of the United States not only pay the highest wages and largest taxes in the world, but they give the people the lowest freight rates and the best service. My statistics are not gathered from any railroad official; they are the facts presented by the government of the United States. Here they are:

Wages paid on our railways in 1916 averaged \$887 per employee per year. Wages paid in 1929 averaged \$1,742 a year. The actual sum paid in 1916 was \$1,511,728,000; in 1929 wages had increased to \$2,965,042,000. This last sum represents 46.43 cents out of each one dollar of revenue. It was 40.6 cents in 1916. During this period wages increased from 28.2 cents to 66 cents per hour.

In 1916 the railways paid in taxes

\$164,000,000; in 1929 they paid \$405,878,257, or an average of \$1,600 per mile. Total dividends paid in 1929 were \$490,125,673,000. Note that the taxes are very near to dividends and in five years will exceed dividends unless there is a change in the other direction.

Today wages and taxes take \$2.79 cents out of every dollar of revenue the railroads receive.

WITH the possible exception of Canada, freight rates on our railroads have always been the lowest in the world.

During the war, when our Uncle Sam ran the railroads, we had a first-class example of what socialization would mean. During the twenty-six months that the government operated our railways the losses were nearly \$2,000,000,000.

In 1917, the last year before Uncle Sam took over the lines, the total expenses were \$2,683,567,831; the following year, with Uncle Sam in charge, the expenses increased to \$4,405,566,513 and the next year they were \$5,081,272,735, or \$19,629 per mile as against only \$10,337 per mile in 1916, under private management. This fact ought to be sufficient to prevent our thinking that Uncle Sam could run the railroads.

During the war period freight rates increased from just around one cent to 1.28 cents per ton per mile. They are now down to 1.063 cents per ton per mile. The reductions that have taken place since 1920 have saved in freight rates alone more than \$500,000,000 a year.

We have the full and complete report of the German socialized railways for 1924. At that date the wages averaged \$494.45 per employee per year. The average pay on our railways for 1924 was \$1,612, or more than 350 per cent above that of the German railroad employee. The freight rates on the German railways for 1924 were 2.08 cents per ton per mile. If the people of this nation had been forced to pay the German rate in 1924, our freight bill would have been more than \$8,000,000,000; it was \$4,388,944,787.

The world is full of just such facts and every one of them prove that were we to socialize the railways of the nation, we would bankrupt them in less than six years, if measured by the failure of every socialized railway throughout the world.

—F. G. R. GORDON,
Haverhill, Mass.

How and Why the Commissions Regulate Utility Advertising

An article of interest not only to every utility executive and to every state commissioner, but of very practical value to all utility advertising men—(illustrated with examples of advertisements which may and may not be charged to operating expense)—will appear in a coming issue of this magazine.

What Others Think

What the Progressive Conference Committee Proposes to Do About the Utilities

ON October 16th was released to the press the following report; it is of such unusual interest to both the utility industry as well as to the state regulatory bodies that it is here reproduced in full:

REPORT OF COMMITTEE ON PUBLIC UTILITIES OF THE PROGRESSIVE CONFERENCE

The Committee on Public Utilities appointed by the Conference of Progressives held at Washington on March 11 and 12, 1931, and directed by the Conference to report subsequently, herewith submits its report:

1. Public utilities, furnishing either transportation, communication, light, heat, power, or water are public agents authorized to transact public business. They perform a function of the state. They collect and spend revenues exceeding twelve billion dollars annually, which are essentially taxes, since their payment is a condition of daily subsistence and the transaction of all private business.

2. Public control of all public business is essential to self-government. Therefore, when we have designated private persons as public agents and permitted them to own and operate public utilities, we have sought to retain public control by means of government regulation. It has been thought that we could avoid a purely political control of public utility service by establishing enterprises endowed with private legal rights, coupled with public obligations. The unfortunate result has been the growth of private rights and the decay of public obligations in the handling of public business. Our efforts at governmental regulation of privately owned utilities have produced the counter force of private regulation of government. We have nourished a private financial interest in the control of government that is steadily undermining our constitutional safeguards of democracy.

3. The recapture of public control of all public business, and the elimination of any

private monopoly control of public necessities are the gravest problems that confront the American people today. Involved in the solution of these problems lie the relief of our agricultural population from unprofitable labor and the relief of our industrial population from insecurity of employment.

4. It will not be possible for our people to enjoy sustained prosperity so long as they are compelled to pay an increasing tribute to support the fictitious "values" of vast private fortunes which are based on the "earning power" of special privileges. It will not be possible for the people to enjoy a representative government so long as they are compelled to pay an increasing tribute to support the corruption of public opinion and the private control of public offices.

5. In order to recapture public control of public business it is not necessary to accept the alternative of a purely political control. But it is not intelligent statecraft to continue to support a subversive private control and to seek to cripple its evil influence through increased severity of public regulation. We cannot regulate our regulators. We cannot farm out the collection of taxes, or give to private agencies monopolies of public business, without building up a government for private profit and breaking down a government for the common good.

6. In recent years the force which has been most effective to control profiteering out of public need has been competition; and when private competition has failed, public competition has frequently demonstrated its impressive power. Today the bitterest opposition to public control is found in the field of its greatest effectiveness. The railroads complain of competition on publicly owned waterways and publicly owned concrete highways. The gigantic electrical power corporations complain of the public development of water power and propagandize incessantly against publicly owned electric plants. The telephone and telegraph corporations are extending their control as rapidly as possible over the "last great public domain"—the air; seeking to prevent a free compe-

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tition by radio with their monopolies of communication.

7. The lesson is written plainly for all who will to read and to understand.

Public competition is the most effective form of regulation. The way to recapture public control of public business is to promote public operation of public business.

8. We may well leave it to the theorists and to the prophets to argue over the eventual outcome. The eventual fields of public and private enterprise, the eventual uses of direct or indirect public control, will be determined by economic and social requirements that will arise out of the changing material conditions and the changing political and ethical philosophy of the people.

9. What will be regarded as right or desirable in the future is a speculation. But today we face the practical need of reasserting the supreme power of a people who still believe in individual freedom, to control the public services necessary for their economic freedom. We face the practical need of restoring the control of public business to a people who still believe in self-government. To meet these practical needs in a practical way, the outlines of a political program for the immediate future (with particular regard for Federal legislation) are presented.

ELECTRICAL UTILITIES

10. Both Federal and state regulation are necessary to control the private production and distribution of electric power. Federal regulation of interstate business, through a commission having power over electrical utilities comparable with the power of the Interstate Commerce Commission over railroads, should be coordinated with state regulations, so as to preserve, so far as possible, the powers of local self-government, without permitting corporations and their activities which are beyond state authority to relieve themselves of effective public control.

11. There are fields of regulation in which Federal action alone can be effective. But to meet the varying problems arising in the several states and to provide a flexible machinery responsive to local needs, every reasonable effort should be made to strengthen state regulation and to avoid concentrating authority in a single national commission with its inevitable tendency towards cumbersome, slow-moving remote control of parochial needs.

12. Much of the weakness of state regulation has come from a lack of public interest in public affairs, from the failure of an inattentive citizenship, engrossed in private affairs, to exert itself in self-gov-

ernment, and from a consequent inefficiency and corruption in public office. The same factors will operate to impair the effectiveness of Federal regulation. The quality of regulation, whether state or Federal, will depend upon the vigor and intelligence of public interest in public business.

13. The Federal and state governments should cooperate in establishing enterprises for the production and distribution of electric power wherever feasible, and thereby create standards of service and of rates which can be applied in regulation of privately owned and operated electrical utilities.

14. If competition between private and public enterprises is fairly conducted on both sides, as it should be, the eventual survival of either or both of these means of serving public needs will depend upon their comparative capacity for public service. The issue is too grave to be decided by theory or prejudice. Nor can a people seeking to maintain self-government permit a decision by a fair trial to be long postponed.

15. Privately owned and operated electric power enterprises now control so large a part of the available sources of production, and the available avenues of distribution, that it should be adopted as the ruling principle of Federal and state action that further developments in this field should be confined, wherever the alternative is available, to direct public control. This does not require the political selection of operators, nor the use of the taxing power to support such enterprises. They should be self-supporting, and should be controlled by public corporations as free from immediate political pressure as the privately owned public utilities, but also incapable of exerting the political pressure now being exerted by such private corporations.

TRANSPORTATION

16. The regulation of railroads by the Interstate Commerce Commission has been on the whole more effective to protect public interests than state and municipal regulation of local utilities; but it has been far from satisfactory.

17. One primary cause of dissatisfaction arises from the establishment by law of an unsound standard of regulation, provided in § 15-A of the Interstate Commerce Act. Drastic revision of this section, and the related provisions of the Interstate Commerce Act, is essential to free both the railroads and the commission from impractical requirements. The "value" of property, which depends upon its

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earning power, can never be made the effective basis of regulation, which is intended to limit public utilities to a reasonable earning power.

18. The Interstate Commerce Commission should be empowered to determine the financial needs of the railroads to render adequate public service at the lowest practical cost, and to fix and distribute the charges for transportation services in proportion, so far as possible, to their cost; including in that cost a fair return upon the investment prudently devoted to public service.

19. Many railroads which perform a necessary public service are unable to compete with other railroads and other means of transportation, because of disadvantages of location or an unsound financial structure. Such railroads embarrass effective public regulation, and are maintained either through private losses or by direct or indirect public aid. They are confessed failures of private enterprise.

20. The Federal government has the power to construct or to take over public highways. This power should be exercised to establish a government railway system, supplementary to and competitive with the privately owned railroads, whereby the transportation service of the nation may be improved, and whereby standards of service and of rates may be established, which can be applied in the regulation of private enterprises.

21. Any public corporation organized for this purpose might wisely be made subject to the regulatory power of the Interstate Commerce Commission. The coexistence of private and governmental systems of railroads, and the beneficial effect of their competition upon the service of both, are exemplified in the present railroad operations of Canada.

22. Federal legislation is essential if further consolidations of railroads are to be encouraged, in order to protect both public and private interests in such consolidations. The Interstate Commerce Commission should be authorized and required to protect all the interests involved in such consolidations, including those of security holders, of employees, and of communities served by the railroads. The commission should also be required to determine that every consolidation, or acquisition of control by one railroad over another, has a positive and certain advantage to the public interest, and to make sure that subsequently competition will be preserved, either between railroads or between railroads and other means of transportation.

23. Motor transportation in interstate commerce or in intrastate commerce should be regulated to the same extent and by the same agencies as steam and electric rail transportation. This includes not only the regulation of motor vehicles on land, but also the regulation of airplane transportation, which should be removed from the Department of Commerce and placed under the general supervision of the Interstate Commerce Commission.

COMMUNICATION

24. Regulation of interstate communication by wire or wireless, should be delegated to a separate Federal Commission on Communications, relieving the Interstate Commerce Commission and the Department of Commerce of their functions in this regard, and transferring to this commission the duties of the present Federal Radio Commission.

25. Regulation of telephone and telegraph communication should be coordinated between this Federal commission and the state commissions.

RADIO

26. The "last great public domain"—unoccupied—is the air. But private monopolies of facilities of communication are extending their efforts to gain a practical control of this domain for communication enterprises.

27. The Federal commission should be given plenary control over radio and all other wireless methods of communication. In order to preserve the freedom of the air, this commission should be forbidden to create or grant any rights which may become vested in private persons to control channels of communication. There should be perpetually reserved, free from commercial use, a substantial number of channels of communication for the use of non-profit-making institutions, such as educational, political, labor, and fraternal organizations. The means and channels of relay broadcasting should be preserved for public use, to prevent a monopoly of such broadcasting through wire transmission. The commercial use of the air and all commercial interests in the air should be made secondary to the public use, and to the maintenance of free access to the air by private individuals and noncommercial organizations, who have already contributed greatly to the development of radio.

28. The use of patents and other means of creating private monopolies of air communication should be limited by law so as to make possible that public control over all means and avenues of communication necessary to enforce a public policy of pre-

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serving and encouraging the greatest possible noncommercial use of the air.

IMPROVING THE INCENTIVES TO PUBLIC SERVICE

29. A definite legal limit should be imposed on individual gain out of public business. The amount of income which an individual should be permitted to obtain and retain out of participation in ownership or management of a public utility should be limited, by appropriate state and Federal legislation, to a generous compensation for actual personal service and a moderate compensation for actual investment. Such a limitation might destroy a strong incentive to private interest in public services—the hope of speculative gain. But this incentive is unalterably hostile to the public interest, and draws into public business persons poorly qualified for positions of public trust. To alienate such private interests would raise the level of public work and would promote a fairer competition in public business, which has the object, not of making money, but of rendering service.

Respectfully submitted,

DONALD R. RICHBERG,
Chairman.

October 8, 1931:

Statement concerning Report of Committee on Public Utilities appointed by the Progressive Conference (held in Washington, March, 1931)—transmitted to Senator Norris, as Chairman of the Conference, October 8, 1931.

The Report of the Committee takes the position that "public control of all public business is essential to self-government" and draws the conclusion from the failures of public regulation of public utilities, that "we cannot give to private agencies monopolies of public business without building up a government for private profit and breaking down a government for the common good." The lesson of the regulatory period is stated to be that "public competition is the most effective form of regulation. The way to recapture public control of public business is to promote public operation of public business."

Electric Power

The report advocates the regulation of existing privately owned electrical utilities through a Federal commission, coordinating its work with state regulation, "so as to preserve, so far as possible, the powers of local self-government without permitting corporations and their activities, which are beyond state authority, to relieve themselves of effective public control." But "further developments in this field should be confined, wherever the al-

ternative is available, to direct public control."

It is recommended that such public enterprises "should be self-supporting and should be controlled by public corporations as free from immediate political pressure as the private owned public utilities, but also incapable of exerting the political pressure now being exerted by such private corporations."

Railroads

In regard to interstate transportation, the report recommends the revision of § 15a of the Interstate Commerce Act; and future rate regulation on the basis of service at cost, including a fair return upon actual private investment and not on the basis of fictitious "values" of property.

It is recommended that the Federal government "establish a government railway system supplementary to, and competitive with, the privately owned railroads, whereby the transportation service of the nation may be improved and whereby standards of service and of rates can be established, which can be applied in the regulation of private enterprises."

If consolidations of railroads are to be encouraged, "the Interstate Commerce Commission should be authorized and required to protect all interests . . . including security holders, employees, and communities served." Motor transportation on land and in the air should be regulated by the Interstate Commerce Commission.

The creation of a "Federal commission on communications" to regulate telephone, telegraph, and radio services is recommended. "To preserve the freedom of the air," the commission should be forbidden to create any "vested rights in private persons to control channels of communication." "The commercial use of the air and all commercial interests in the air should be made secondary to the public use," and "the greatest possible noncommercial use of the air" should be preserved and encouraged.

The report finally recommends the fixing of definite legal limits on private profits out of public utility business, restricting individual gain to "a generous compensation for actual personal service and a moderate compensation for actual investment," on the ground that "the hope of speculative gain is unalterably hostile to public business and draws into public business persons poorly qualified for positions of public trust."

In transmitting the report to Senator Norris, Donald R. Richberg, chairman of the committee, called attention to the far-reaching effect of some of the recommendations made, but asserted that according to the judgment of the committee any mere

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tinkering with a regulatory machinery of proved incompetence would not satisfy the imperative needs of the situation. In the language of the report: "The recapture of public control of all public business and the elimination of any private monopoly control of public necessities are the gravest problems that confront the American people today. Involved in the solution of these problems lie the relief of our agricultural population from unprofitable labor and the relief of our industrial population from insecurity of employment."

It seemed apparent to the committee that, in order to destroy "a subversive private control" of government and "the corruption of public opinion" by those having a huge financial interest "in the private control of public offices," vigorous measures are necessary. The chairman stated that effective restraint upon these private interests will, of course, be denounced as "socialism," or "bolshivism," according to the tactics of the public utilities which have been exposed in the Federal Trade Commission investigation. But the program reported by the committee is, according to Mr. Richberg's definition, the product, not of socialistic theory, but of a faith in "co-operative individualism." Individual freedom can only be preserved, according to progressive doctrine, through opposing equally the tyranny of industrial dictators who would control the state and of political dictators who would control all industry.

The members of the Committee on Public Utilities appointed by the Progressive Conference, which met at Washington in March, 1931, are:

DONALD R. RICHBERG, *Chairman, Chicago, Ill.*
PAUL U. KELLOGG, *Editor of the "Survey," New York City*
J. D. ROSS, *Superintendent of Lighting, Seattle, Wash.*
MORRIS L. COOKE, *Consulting Engineer, Philadelphia, Pa.*
AMOS PINCHOT, *Lawyer, New York City*
W. E. MOSHER, *Syracuse University*
JUDSON KING, *Washington, D. C.*
JAMES C. BONBRIGHT, *Columbia University*
WALTER S. BEMIS, *Public Utility Engineer, Chicago, Ill.*
THEODORE KRONSHAGE, JR., *Chairman, Wisconsin Public Service Commission*
CARL D. THOMPSON, *Chicago, Ill.*
MRS. ANN DENNIS BURSCH, *Washington, D. C.*
WILLIS J. SPAULDING, *Commissioner of Public Property, Springfield, Ill.*
KENNETH HARLAN, *Public Utility Engineer, Portland, Or.*
E. W. MOREHOUSE, *Institute for Research in Land Economics and Public Utilities, Northwestern University*

E. N. NOCKELS, *Secretary, Chicago Federation of Labor, Manager, Radio Station WCFL*

JOHN M. BAER, *Washington, D. C.*

DAVID E. LILIENTHAL, *Public Service Commission of Wisconsin*

LLOYD E. BEMIS, *Public Utility Accountant, Chicago, Ill.*

HENRY T. HUNT, *Lawyer, New York City*

CHARLES E. MERRIAM, *University of Chicago*

NEWTON JENKINS, *Lawyer, Banker, Chicago, Ill.*

MARTIN G. GLAESER, *University of Wisconsin*

STEPHEN RAUSHENBUSH, *Harrisburg, Pa.*

THE foregoing committee report resulted, as might be expected, in an immediate reaction, favorable and unfavorable, in the daily press and periodical press. It also provoked comments by well-known individuals; probably the most interesting of these was the statement issued by Milton W. Harrison, president of the Security Owners' Association, on behalf of the executive committee of his association. Mr. Harrison's response is significant in that it attempts a succinct but comprehensive reply to the Progressive committee report. The major part of Mr. Harrison's statement was as follows:

"PRESENTING a program designed to cripple and embarrass basic industries, such as the railroads, the electric utilities, and our telegraph, telephone, and radio systems, the Socialists and other radicals on the committee declare that this course will be branded as socialism or bolshevism.

"They are quite right. The report of this Utilities Committee is nothing more nor less than a step toward their real objective, which is complete socialization of American business.

"The Socialists, who wrote and signed the report, do not announce their real program. They will not confess that their ultimate object is the destruction of private enterprise in the utility field and in every other business.

"They talk of government competition with business when their real goal is government destruction of business. How can a private individual compete with the government that can tax his business out of existence?

"The present report declares that 'the Federal and state governments should co-operate in establishing enterprises for the production and distribution of electric

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power.' It asserts that 'the Federal government has the power to construct or to take over public highways. This power should be exercised to establish a government railway system supplementary to and competitive with the privately owned railroads.'

"Ostensibly, this government competition with private enterprise is to be undertaken merely to provide yardsticks with which to measure the service and rates of existing utilities. In reality, it is only a first step in a much larger and more devastating program.

"This report is signed by Donald Richberg, as chairman, and by Stephen Raushenbush and Carl D. Thompson as the outstanding members of the committee.

"In 1927 Mr. Raushenbush let the cat out of the bag. At that time he and Mr. Richberg were both members of a committee on coal and giant power, created by the Socialist League for Industrial Democracy.

"Writing in the *New Leader*, the official Socialist newspaper, Mr. Raushenbush outlined the tactics which the Socialist party should pursue in order to overthrow American industry and achieve the socialization of all industry.

"Our long time aim," wrote Mr. Raushenbush in the *New Leader* of March 12, 1927, 'is the abolition of the profit system for private use. We must force our experts on agriculture, trusts, coal, power, subways, housing, milk, etc., to tell us correctly what the next steps are, and then take them and identify ourselves with their success.'

"With regard to the electric industry, he said:

"We cannot hope to take over the whole eight billion dollar industry successfully even if it were generally thought advisable to do so. . . . But a scattered series of great generating plants selling their power within 300-mile radii might be expected to have very considerable influence upon the extension of public ownership to the transmission lines and the whole industry. . . . If we don't bite off more than we can chew we may have a good deal to chew on in the coming years.'

"A GLANCE at the signatures attached to the present report of the radical committee on public utilities is enough to expose the true purpose of the report. Three radical organizations are represented in force on the list of signers. These are:

1. The Socialist League for Industrial Democracy, formerly called the Intercollegiate Socialist Society.

2. The Public Ownership League, organized by the Publicity Director of the Socialist Party.

3. The American Civil Liberties Union, supporter of the Communist movement in the United States whose director testified under oath that the organization upheld the right of an alien to advocate the overthrow of government by force and violence.

"Donald Richberg, who signs the report as chairman, is linked with the League for Industrial Democracy and the American Civil Liberties Union.

"Stephen Raushenbush, who signs the report, is an active member of the League for Industrial Democracy, and organized the League's Committee on Coal and Giant Power of which Mr. Richberg is a member. Mr. Raushenbush is also a member of one of the Civil Liberties Union's Committees.

"Carl D. Thompson, who signs the report, was director of publicity for the National Socialist Party when he organized the Public Ownership League. He was nominated by Victor Berger for president at the Socialist convention of 1908. In writing of various half-socialistic laws Thompson once said:

"We want no one to think that these sops are Socialism. By no means. We want something more than sops. We want the whole soup.'

"Willis J. Spaulding, who signs this report, is a former president of Thompson's Public Ownership League, and Amos Pinchot and J. D. Ross, who also signed the report, are vice presidents of this league.

"Henry T. Hunt, who signs this report, is a member of the Civil Liberties Union's Committee on the Passaic strike. He is also a member of an organization known as the Friends of Soviet Russia, and signed the Civil Liberties Union protest against a federal investigation of Communist activities in the United States.

"When a committee, in which such individuals and such organizations are dominant, declares that it only seeks through government competition to improve the regulation of private enterprise, it is not difficult to perceive that this is a cloak to conceal the underlying objective.

"GOVERNMENT competition with business can have only one result. It can only add to the many perplexities and difficulties with which the individual citizen is now faced.

"If government competition is successful, then industries employing millions of wage earners will be forced to the wall. If government competition is, as usual, a dismal failure, as the Non-Partisan League venture proved in this country, and as Australia has found to her cost, as well as American government operation of railroads during the war, then the individual business man and home owner must pay for that government failure in increased taxes, at a time when taxes are already so

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high that they are eating up homes and factories.

"In either event, it means a heavier burden on the nation, a more unsettled condition of trade and commerce, a little less courage and confidence among the constructive forces of the nation.

"In these times our people are facing more and greater problems in business than have confronted them at any other time in our history. We must not embark on unknown and unchartered seas. We must present a united front of mutual effort and understanding toward not only a restoration of the prosperous former years, but toward a sound and enduring basis of greater economic and social development and usefulness for the greatest good to the people of America."

ON the other hand, the liberal-radical weekly, *The Nation*, in its issue of October 28th, commented upon the committee's report in terms of warmest approbation. The editorial stated:

"PUBLIC competition with private enterprise in the utilities field may be urged by the progressives in Congress as a solution of the utilities regulation and transportation problems. This course has been recommended by the committee of experts chosen at the Progressive Conference in Washington last spring to study these questions. 'The Federal and state governments,' the committee said in its report to Senator Norris, chairman of the conference, 'should cooperate in establishing enterprises for the production and distribution of electric power wherever feasible, and thereby create standards of service and of rates which can be applied in regulation of privately owned and operated electrical utilities.' An experiment along these lines is already being tried under Governor La Follette in Wisconsin. In the case of the railroads, the committee said: 'The Federal government has the power to construct or to take over public highways. This power should be exercised to establish a government railway system, supplementary to and competitive with the privately owned railroads,' again with a view to establishing 'standards of service and of rates' to be 'applied in the regulation of private enterprises.' Proponents of private enterprise could not ask for a fairer deal than this. We believe that public competition is the most practical and workable solution of these problems. Moreover, we are morally certain that unless a definite solution, either this or some other that will fully protect the public interest, is soon found, it will not be long before private enterprise in the utilities field is wiped out."

THE railroad journal, the *Traffic World*, in an editorial in its issue of October 24th, condemned the committee's proposals as unsound, particularly with regard to railroad operations in view of the sorry record for success which the government has had so far in its attempts to operate utility service. The editorial stated:

"WHEN times are a bit difficult because prices are regarded as too high or too low, then comes the opportunity of the defeatist, who thinks that government ownership and operation is the panacea. The 'progressives' again have unloaded their government ownership and operation program of utilities on the public. William Jennings Bryan did the same thing in 1908, just after the troubles of 1907. Any man who can recall his history is able to draw parallels.

"The fundamental idea is that private ownership and public regulation have failed to give the people service at reasonable cost. Reasonable cost, the average self-anointed 'progressive' draws from the rotten bookkeeping figures presented to a deluded public by, for instance, the government barge line and various municipal enterprises throughout the world. Good results are shown by government bookkeepers because they do not make allowances for expenses that would have to be shown in their accounts were they subject to the accounting rules enforced by the government against railroads, banks, and public utilities.

"There are probably government enterprises in various parts of the world that are well managed and prosperous—for the time being. Anyone at all familiar with the ways of government, however, knows they are wasteful, in both material and personnel. A man in business in Washington doesn't need a mass of figures to prove that proposition. He knows by means of the comparisons he can and does make between his own ways of doing business and his government's. Any man who looks at a city hall, a country court house, or a state capitol can see the waste and ineffectiveness there displayed 365 days in an ordinary year and 366 in leap years. But the 'progressives' can always attract some attention with their proposals, regardless of the number of failures of their prophecies that can be checked up against them."

THE liberal weekly, *The New Republic*, takes a position diametrically opposed to that advocated by the *Traffic World*; the former, in an editorial in its October 28th issue, is of the

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opinion that the alleged success of the Canadian railroads under governmental control is indicative of the beneficial result that would accrue to our own rail lines if they were placed under public management. *The New Republic* stated:

"THE first of the committees appointed by the Progressive Conference last spring to report is that on public utilities. Its attitude will cause no surprise among those who have studied the utilities situation from the point of view of the consumer and the public. The utilities are entrusted with public services which the public would normally provide for itself unless it felt that the private interests would do a better job. But the private interests have enriched themselves at public expense and have defied proper regulation. It is necessary, therefore, not only to strengthen the regulation, but to set up public agencies to compete with the private agencies, which may set standards for their performance and costs. This is the real importance of the disposition of enterprises like Muscle Shoals and the St. Lawrence project. Likewise, in the case of the railways, the committee recommends a great public system of systems, to compete with those privately owned—as there has for some years been in Canada, in the shape of the Canadian National Railways. This system was formed when many railway bonds were defaulted, to rescue an impossible situation and provide a continuance of transportation. Since then,

under the able management of Sir Henry Thornton, it has more than justified its existence. The present railroad crisis would seem to offer a similar opportunity in the United States."

FORMER Interstate Commercial Commissioner, Thomas F. Woodlock, writing in the *Wall Street Journal*, applies an ingenious method of logical analysis to the Progressives' program. On one hand, they profess not to desire any lessening of state regulation of private utilities. Far from it. State regulation, they say, should be strengthened. They propose to strengthen it by "fair competition" and they point to the Canadian governmentally operated railroad system as an example of such fair competition. But Mr. Woodlock shows that the Canadian taxpayers have invested in this system two billion dollars, upon which there was available as a return in 1929, after deducting for depreciation and other proper charges, sixteen million dollars.

If this is the sort of competition the Progressives will impose upon our private utilities—to wit, competition subsidized, in part at least, by the taxpayers, Mr. Woodlock wants to know what there is "fair" about it.

—J. T. C.

The Power Authority of New York Sends a Memorandum to Washington

ACCORDING to the *New York Times* of October 29, 1931—and Heaven knows the *Times* is accurate if it is nothing else—the New York Power Authority, through its chairman, Mr. Frank P. Walsh, has addressed an elaborate memorandum to our Secretary of State Stimson, which is all about state's rights and everything concerning the St. Lawrence river. Delos M. Cosgrove, vice chairman of the Power Authority managed to horn in in the second paragraph of the *Times* story, but nothing in the subsequent account explains exactly why.

The memorandum starts out with a

demand for some sort of recognition of the state of New York in any plans for the improvement of the St. Lawrence river, or the development of hydro-electric power thereon, by the Federal government.

Well, what's all the hollering about? It seems to me that about seven or eight years ago an outfit known as the United States St. Lawrence River Commission, of which a man by the name of Hoover was chairman, made an elaborate report on the question of St. Lawrence river power, the concluding paragraphs insisting upon complete recognition of the principle that New

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York state is bounded by that international stream. In fact, if my memory serves me well, it almost demanded the conservation of the interests of the people of that great state. Nobody got steamed up about the idea.

THE first interesting statement made by Mr. Walsh in his memorandum is that "the authority of the Federal government is paramount in all matters having to do with the improvement of commerce and navigation along the St. Lawrence river."

He does well to make this admission. Back in the days of Robert Fulton and Robert R. Livingstone New York took a terrible licking when it attempted to grant a monopoly to a certain steamship company to navigate the waters of the Hudson within the state. Other folks owning steamboats objected and finally Chief Justice Marshall held that the state had no control over navigable rivers and that under the Constitution the Federal government had the exclusive right to regulate navigation.

So this statement by Mr. Walsh is not exactly news.

Mr. Walsh's second premise is much more interesting. He says:

"The state of New York is the sole and absolute owner of that part of the water flowing in the St. Lawrence river and to the land comprising its bed and the power and power sites in, upon, or adjacent to it on the American side of the International boundary and is fully vested with a legal and inalienable title thereto."

Dr. Einstein's recent theory of a five dimensional universe is no more involved than the question of reducing flowing water to possession. One can fish a bucket of water out of a stream, say "it is mine," and get away with it. But to establish ownership of the water of a babbling brook presents almost the same insurmountable difficulties as the enforcement of the original Federal law regulating the migration of birds. The same thing is true of the potential power in flowing water.

IF by "power sites" Mr. Walsh means the land adjacent to the river, he

might do well to remember that this belongs to private owners and that while such owners have certain riparian rights these rights are subject to the limitation that the riparian rights of owners further down the stream cannot be impaired. If he means that the state has the right to divert water at any given place for any purpose whatsoever he has absolutely no authority for such a statement.

It should also be remembered that regardless of the ownership of the bed of such a stream, or the land adjacent to it, no entity, whether individual, corporation, county, or state, can put any obstruction in a stream which might affect its navigability without the consent of the United States and Canadian governments. This is good law, although I am not a lawyer.

The next item of Mr. Walsh's interesting statement is to the effect that "the disposition of the water power to be developed on the International Rapids section of the St. Lawrence river is purely a domestic question."

This is not a statement of fact. If the United States government builds a dam in the St. Lawrence river, or builds it with the coöperation of the government of Canada, it can use that dam for anything it pleases including the sale of hydroelectric power.

Mr. Walsh has a lot to say about the Power Authority of the state of New York paying its "share of the total cost of the project which may be definitely and fairly allocated to the production of power upon the American side of the International Rapids section of the St. Lawrence river." No one in the United States can logically object to this except the taxpayers of New York state. It is just too bad that we cannot confine the cost of Muscle Shoals to Alabama and the cost of Boulder Canyon dam to Arizona or California. The principle involved in all of these three great development projects is approximately the same.

It is difficult to take the memorandum of the Power Authority of the state

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of New York seriously, just as it is difficult to take seriously any campaign document promulgated in a prepresidential election year. This, after all,

is what it is, once it is stripped of its sonorous phrases and rather bad English.

—ERNEST GREENWOOD

The Value of University Training for Public Utility Jobs

PUBLIC utility executives expressed deep interest in university education for business by giving their endorsement, through the National Electric Light Association, to the survey of collegiate education of this character in its particular relationship to the public utilities industry. This investigation, ably carried on by Dr. C. O. Ruggles and his committee of educators, led to sound conclusions and pointed the way to appropriate cooperative endeavor between business education and the industry. This investigation was completed in 1929.

Immediately following this, Professors Bossard and Dewhurst of the University of Pennsylvania, undertook a broader survey of the whole field of business education, and have given us the result of their valuable study in "University Education for Business." They based their study first on an objective analysis of the demands of modern business, including a consideration of recent changes in business, with an effort to select those distinguishing characteristics which should be given consideration in the planning and administration of college instruction for business.

AN analysis was made of the positions which college men customarily entered, with the requirements for fulfilling the duties and responsibilities in executive and other higher positions. This actual or potential demand was set against an analysis of the means and methods by which the universities are attempting to supply this demand by business for trained personnel. This is the fundamental problem which has been given most thoughtful con-

sideration by the authors, namely, how best to train students for useful and successful careers in business.

Their conclusions seem to indicate that in the development of the curricula in this new type of higher education, the tendency has been in the direction of over-specialization. They seem definitely to feel that the evolution should be toward a less involved and more fundamental curriculum. In fact, even now they have discovered an encouraging trend in this direction.

Your reviewer submits that perhaps industry itself, by bringing pressure upon the schools, is to a degree responsible for the condition of over-specialization which now exists. Because many collegiate schools of business offer courses in public utilities, it would seem particularly the responsibility of public utility executives to decide whether or not they desire the continuance and expansion of specialized courses in public utilities in undergraduate curricula, or whether they should encourage the development of courses fundamental to business in general, leaving specialization to post-graduate effort.

Because of the interest already demonstrated, this new work of Professors Bossard and Dewhurst becomes a challenge for further helpful cooperation. All who are interested will be fully repaid for time devoted to reading "University Education for Business."

—R. I. REES

UNIVERSITY EDUCATION FOR BUSINESS. By James H. S. Bossard and J. Frederic Dewhurst. Philadelphia: University of Pennsylvania Press. 1931. 578 pages. \$5.00.

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Where Will the Trend in Increased Utility Taxes End?

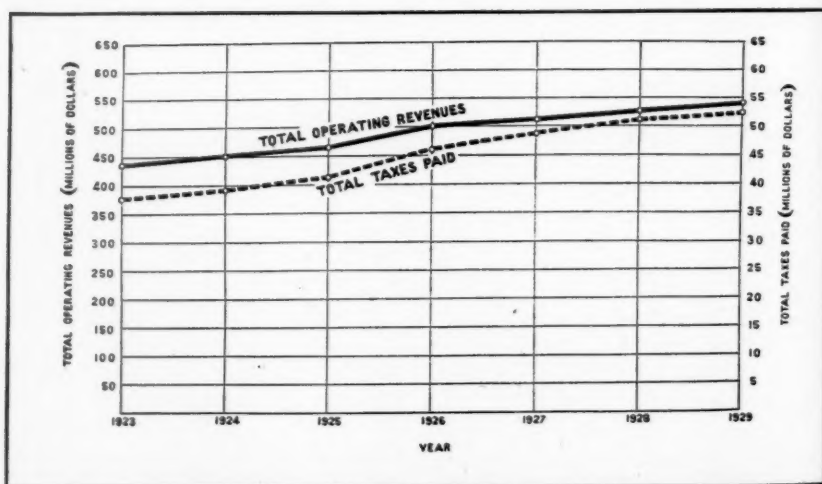
THERE is no depression in taxes. Indeed, the year of 1931 promises to produce a record high for tax assessments, with no hope of general reduction at any time in the future. This is true because of the obvious fact that taxes increase in direct proportion with the increase in governmental activity, and there is no indication on the horizon nor suspicion in the minds of enlightened citizens that governmental activity will grow less. On the contrary, the paternalistic demands from the unemployed, farmers, veterans, and other classes seeking help increase daily.

Our legislatures are jammed with proposed laws. Each new law enacted will require money for enforcement. Each new activity of the government inevitably means more taxes. Taxes will diminish only when our legislatures start repealing more laws than they enact and the prospect of that is very remote. Therefore, we must expect that taxes will continue to increase in

the future as they have in the past.

Just to skim over the evidence of this trend, we need only consider that the per capita cost of the Federal government in 1790 was 35 cents; in 1890 it was \$4.61; in 1913 it was \$7.17, and in 1931 it will be around \$42.50. And still the snowball of taxation gathers size. The depression has merely accelerated its momentum.

PUBLIC utility companies in particular feel the pinch of these increased taxes. An article in the October 10th issue of *Gas Age-Record* brings home the point with striking clearness that unless the present tendency of state legislatures to pile all taxes possible on public utility companies is stopped, there is grave danger that in a few years the utility tax bill will just about equal its total operating revenues. The following table taken from this article shows how the margin between these two figures has narrowed in the history of the manufacturing gas in-



THE NARROWING MARGIN BETWEEN THE TOTAL OPERATING REVENUES OF THE GAS UTILITIES AND THEIR TAXES

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dustry from 1923 to 1929 inclusive.

THE article shows how utilities are being "picked on" by the state taxation authorities. It stated:

"Last year, 20 per cent of Oklahoma's valuation for tax purposes was on the public utilities. This year the tax commission is reported to have an average increase of 40 per cent in utility valuations, and a 10 per cent reduction on all other property is indicated. The utilities would then be charged with more than 26 per cent of the state's total.

"In 1923 one of the subsidiaries of the Midland United group paid 6.69 cents in taxes out of every dollar of revenue from customers. Last year this same company paid 10.34 cents, an increase of 55 per cent

in seven years. Another subsidiary paid out 5.13 per cent of its revenue in taxes in 1923. Last year it paid 7.32 per cent. In the entire Midland United group, taxes in 1930 required 8.75 cents out of every dollar."

This sort of policy cannot be continued indefinitely. Where will it finally end?

That is the same question that the politicians of England, Australia, and other countries are now trying to answer.

—D. L.

SOARING TAXES MAJOR PROBLEM OF THE GAS INDUSTRY. *Gas Age-Record*. October 10, 1931.

A Counter Attack That Aims to Drive Uncle Sam Out of Private Business

BUSINESS has begun an organized counter attack against the government ownership movement. Will it be a real reprisal or a fizzle?

On August 26, 1931, the Federation of American Business sent out a press announcement of its intention to launch a "nation-wide move to fight communism and to get the government out of private business." The announcement listed twenty-two major industries, including a representation of farmers, agricultural trades, railways, public utilities, and labor, as being sponsors of the movement.

Such movements have been started before, but they seem to have done little to check the unmistakable trend towards greater government activity in private business. What will happen to this one? Professor Richard T. Ely, director of the Institute for Economic Research, of Northwestern University, thinks that this movement will not be another "frost." Writing in the October issue of the *Review of Reviews* he states:

"It deserves careful and respectful attention. It appears probable that the movement is going to assume considerable dimensions and to become a force in our

life whether or not it is able to prevail against those who hold contrary convictions, and against the many powerful organizations that are working to support and carry forward the tendencies which American business men in this Federation regard as so menacing to our prosperity. Moreover, many of these men who are actively supporting this Federation, or are sympathetic, are men of an unquestionable integrity and capacity. While the impartial student may not go as far as some of these leaders do in their statement of principles, and while many may not share their view that we are drifting to socialism and even communism, there can be no question that they are within their rights in asserting their convictions and in their efforts to make their views prevail. Free government depends upon free discussions; and if we have reached the point where the great industries of the country are the under dog and where those in control of these industries are so intimidated that they are afraid to do what is right, including the support of independent research, we are in an unfortunate situation and it is time that something be done about it."

PROFESSOR Ely's description of the great industries of this country as being "under dogs" seems to be a far cry from the time, only a few decades ago, when these same industries were supposed to have adopted a "public be damned" attitude. Something serious must have happened since then. Ob-

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viously, an under dog can afford to damn no one, not even the public. He is usually much too busy fighting for his life.

Professor Ely shows the extent of government activity in private business at the present time, and presents arguments against nationalization of industry generally on its merits; he also lists a number of respectable authorities, including the American Bar Association, which have gone on record as being opposed to further government interference with private activities. Professor Ely's article, we are told by

the editors of the *Review of Reviews*, may be regarded as an introduction to a series of studies that will appear in succeeding numbers of this periodical, giving us the relationship of government and business in specific fields of enterprise or industry. This announcement makes the proposed series sound very much as if it were part of the "nation-wide movement" commended by Professor Ely.

—M. M.

GOVERNMENT IN BUSINESS AND THE GENERAL WELFARE. By Richard T. Ely. *Review of Reviews*. October, 1931.

Other Articles Worth Reading

INTERSTATE COMMISSION ON DEPRECIATION. Report and final order issued by the Interstate Commerce Commission gives basis for depreciation charges for telephone companies. *Telephony*; September 19, 1931.

PUBLIC UTILITIES. The Service Charge and Its Developments in New York. By John Bauer, Director, American Public Utilities Bureau. *National Municipal Review*; September, 1931.

RAILROADS WILL DO THEIR OWN TRUCKING. *National Sphere*; October, 1931.

REGULATION OF NEWER FORMS OF TRANSPORTATION. By Herbert H. Lehman, Lieutenant Governor, State of New York. *The United States Daily*; September 29, 1931.

REGULATION OF TRANSPORTATION IN KENTUCKY. By Moses R. Glenn, Chairman, Railroad Commission, Commonwealth of Kentucky. *The United States Daily*; October 1, 1931.

Control of railways, express, telephone, telegraph, pipe line, and water traffic in jurisdiction of state railroad commission.

ROCKS AHEAD. By Professor Philip Cabot. *Electrical World*; October 24, 1931.

SOARING TAXES MAJOR PROBLEM OF THE GAS INDUSTRY. *Gas Age-Record*; October 10, 1931.

TAXES AND MOTOR TRANSPORT. By Homer H. Shannon. *The Traffic World*; October 10, 1931.

Publications Received

POWER ETHICS. By Jack Levin, Research Staff, People's Legislative Service, Washington, D. C. Alfred A. Knopf, New York, New York. 1931. 192 pages. Price \$2.

An analysis of the activities of the public utilities in the United States, based on a study of the U. S. Federal Trade Commission records.

REPORT OF RATE STRUCTURE COMMITTEE. F. A. Newton, Chairman. American Gas Association, Inc., New York, New York, 1931.

THE EPIC OF AMERICA. By James Truslow Adams. Little, Brown, and Company, Boston, Massachusetts. 1931. 434 pages. Price \$3.

THE MASQUERADE OF MONOPOLY. By Frank Albert Fetter, past president of the American Economic Association. Harcourt, Brace and Company, New York, New York. 1931. 464 pages. Price \$3.75.

THE PUBLIC, THE GOVERNMENT, AND THE UTILITIES. Address by William A. Prendergast, formerly chairman of the Public Service Commission of New York, at the 50th annual meeting of the Texas Bar Association, Galveston, Texas, July 3, 1931.

UNIVERSITY EDUCATION FOR BUSINESS. By James H. S. Bossard and J. Frederic Dewhurst. University of Pennsylvania Press, Philadelphia, Pennsylvania. 578 pages. 1931. Price \$5.

The March of Events

California

Apartment Operators Want Quantity Rates for Water

APARTMENT house operators recently petitioned the city of Santa Barbara for water rate reductions on the ground that they were consumers of large quantities of water. City Clerk George Geib and Superintendent V. E. Trace have, according to the Santa Barbara Press, pointed out that the apartment house operators are escaping now with much cheaper rates than the small users.

They say that one of the apartment house men who complained about the rates has a total bill of only \$70 a month for about ninety apartments. Ninety individual home owners would have to pay a minimum of

\$135 a month for the same water facilities.

Superintendent Trace explained that the minimum charge is \$1.50 monthly for each building with a street frontage and that nearly all residences have a street frontage. The Press adds: "But an apartment house, with many different tenants and families, usually has just one \$1.50 frontage meter. It pays a minimum of only 45 cents per month for other apartments, classified as 'in the rear,' as compared with the individual home owner's \$1.50 minimum. Most apartment houses furnish water without extra charge to the tenant, and all water runs through one meter. This piling up through one meter also cuts down their rate. The more they use, the less they pay, Superintendent Trace said."



Colorado

Denver Gas and Electric Rates Will Be Probed

THE city of Denver has decided to investigate the gas and electric rates of the Public Service Company of Colorado. The public utilities committee of the city council has announced that it will engage an engineering expert to make the probe for the city. The city is expected to use a valuation of approximately \$31,000,000, upon which the present franchise rates are based, and will bring this valuation to date. The valuation

was made four years ago. A member of the public utilities committee is quoted in the Denver Post as saying:

"The public utilities committee will at an early stage engage the services of some engineer whose qualifications and ability are recognized to counsel and advise with the committee."

"The Public Service Company will at once begin its own survey for the purpose of determining whether under all the facts and circumstances a just, fair, and equitable readjustment of rates can be made at this time."



District of Columbia

Utility Board Asks Dismissal of School Fare Appeal

THE public utilities commission, in a brief filed in the District supreme court, advances twenty-two reasons why the appeal of the street railways and the Washington Rapid Transit Company from the 3-cent school fare order should be dismissed. The Washington Post reports:

"The motion signed by Corporation Coun-

sel William W. Bride, his assistant, William A. Roberts, and People's Counsel Richmond B. Keech, declares that the transportation companies have failed to exhaust their legal protests to the commission and that they have failed to show actual loss in revenue as a result of the order. The passage of the 3-cent fare bill by Congress left the utilities body no choice but to issue an order making the reduced rate effective, the brief declares. Neither the commission nor the District supreme court, it is contended,

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have the authority to declare the act unconstitutional. As the street car and bus companies presented no evidence of increased expenses incurred by complying with the order, the brief points out, it must be assumed that they suffered none. There is nothing to show, it adds, that the number of school children using street cars or busses

did not increase sufficiently after the order was adopted to offset the difference in the 3-cent fare and the adult charge. The logical recourse of the transportation utilities, the motion states, was a petition to the commission for "such increased fare as would have compensated the companies for the alleged loss sustained" under the order.



Illinois

Natural Gas Use Delayed

THE controversy over the introduction of natural gas in Illinois cities and the proper rate for such gas has developed a difference of opinion as to whether natural gas should be introduced immediately and rates fixed later, or whether the reasonableness of the present artificial gas rates should be determined, and then the question of natural gas considered.

Representatives of several municipalities, including the city of Springfield, object to the introduction of natural gas with an immediate reduction to consumers until the artificial gas rates have been passed upon. They contend that the reductions offered by the utilities are inadequate and that the present gas service should not bear rates higher than those offered for the natural gas. They express the fear that if natural gas is used under the rates offered, it will take a long time to obtain a reduction in those rates.

Representatives of the utilities, on the other hand, urge that the customers are entitled to natural gas service at once with the reduction offered, and that the commission can then determine what the proper rates are for natural gas.

Commissioner Gilbert, according to the *Decatur Herald*, has taken the position that it is not important at this time what is a reasonable and fair rate for natural gas, but whether or not these issues should stand in the way of allowing the consumer to get the immediate benefit of reductions offered by the utility companies.

Last month the cases involving gas rates in Springfield and about thirty other municipalities were postponed to the latter part of November by the commission. In the meantime the commission was to consider further the facts and figures relating to proper rates for natural gas sold to distributing utilities by the Panhandle Illinois Pipe Line Company. The pipe line company, it is stated in the newspapers, has submitted a new contract between it and the distributing utilities which engineers have estimated will reduce the wholesale gas rates from 40 cents to 35 cents per thousand cubic feet within four years. The *Decatur Review* states:

"The original contract called for a flat rate of 40 cents per thousand cubic feet. The new rate, according to the alliance report, is based on a capacity charge plus a commodity charge, with the result that increased consumption of gas expected from decreasing cost will reduce charges."

The Panhandle Eastern Pipe Line Company, according to a report in the *United States Daily*, was to transfer all of its contracts with distributing companies in the state of Illinois to the Panhandle Pipe Line Company, a subsidiary, so that the state commission would have unquestioned jurisdiction over the service. This action is in compliance with a request by the commission that the Panhandle "get all of its eggs into one basket" so that the commission could keep control of natural gas in Illinois and not see a portion of it held to be interstate commerce.



Indiana

Voluntary Rate Reductions Are Sought

THE Indiana commission has started a movement to obtain voluntary reductions in public utility rates. Representatives of civic clubs and executives of the Indianapolis Power and Light Company and the Indianapolis Water Company were invited to

a conference on November 4th by Commissioner H. K. Cuthbertson designated to hear petitions filed by the city of Indianapolis.

It has been pointed out that voluntary action by the utility companies in reducing rates not only would give immediate relief to the consumers, but would tend to spare patrons the burden and delay of expensive rate litigation, which in the end would have to be paid for by the patrons. It also would

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prevent further disturbances to business just emerging from the depression. The Indianapolis *News* states:

"It also has been shown that efforts to obtain reductions through a rate hearing, as proposed by some groups, would require at least one and possibly two or three years before any direct results would be obtained; that the results would be problematical; that such a hearing would be extremely costly and the costs have to be amortized and passed back to the utility consumers, and that such a long-drawn-out procedure would have a disastrous effect on business generally."

Order Allowing Return of 5 Per Cent Is Attacked in Court

THE Vincennes Water Company has filed a bill for injunction against the public service commission to restrain enforcement of a recent order fixing the company's valuation at \$800,000 and establishing rates that will afford a return of only 5 per cent. The order had been approved by the commission by a vote of 3 to 2.

The utility company claimed a value of \$1,500,000. In 1928 the United States Circuit Court of Appeals in an injunction proceeding had fixed a valuation of \$1,032,000, and it was contended by company representatives that this valuation could not be lowered, as the injunction was still in effect.

The commission took the position that valuations set by the courts in the past have no effect under present-day economic changes

and declining costs of material and labor. Previous rulings establishing 7 per cent as a fair return were declared to be unfair today and a return of 5 per cent was considered just and ample. The commission expressed the opinion that no court could perpetually enjoin it from the exercising of its legislative functions.

Commission Hears Protests against Thermic Measurement

THE public service commission on October 22nd heard protests by several cities against the adoption of the therm basis instead of the cubic foot basis for billing gas charges. Representatives of several cities affected seemed to base their objections largely upon the ground that customers could not understand the therm basis and that the therm system was being adopted by the gas companies as a means of increasing rates after the introduction of natural gas with a corresponding increase in heating value.

Experts who had investigated the new gas rate system expressed the opinion that the therm system instead of the cubic foot provides the most accurate method of measuring gas consumed.

It was testified that in nearly all the places where the therm measurement had been introduced, it has been placed in effect as the basic rate with an option to customers to determine whether they prefer to remain on a cubic foot measurement or to adopt the therm measurement.



Iowa

Uniform Rates for Motor Trucks

A UNIFORM rate schedule for truck operators in Iowa, says the Des Moines *Register*, was discussed at a meeting of the Iowa Warehousemen's Association recently. New schedules will follow the schedules already worked out for 18 counties in northern Iowa and the plan now used in Colorado

for truck operations. The *Register* adds:

"Officials declined to disclose the proposed rate, but said that it would be on a weight per mile basis. The rate now in effect is on a cubic foot per mile basis. The schedule will be worked out, officials said, and then presented to the Iowa Railroad Commission for approval. Preceding this, public hearings will be held in several Iowa cities where operators will be informed of rates."



Kansas

Law Prohibiting Utility Merchandising Is Upheld

STATE District Judge Otis S. Hungate of Shawnee county, according to a re-

port in the *United States Daily*, has sustained the constitutionality of the Kansas law which denies public utility companies the right to engage in retail mercantile business. Judge Hungate ruled that the law was a proper exercise of the police power of the

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state and "reasonably within the power of the legislature to protect citizens from monopolistic control." The judge has ruled that appliances which have already been sold by the utilities may be collected for, and repossessed articles may be resold.

The suit to test the validity of this law was brought by ten utility companies which sought a permanent injunction against enforcement by the state. Attorneys for the companies filed notice of an appeal to the supreme court.



Maryland

Protest Is Made Against Baltimore Telephone Rates

THE president of the National Housewives, Inc., has charged in a letter to the public service commission that Baltimore, in comparison with other cities, is being discriminated against in regard to telephone rates. She said in part:

"Aside from the general protest against the exorbitant 8-cent charge per call for service we fail to see why we should be charged 8½ cents for a two-party line as against 8 cents for a one-party line when two parties on a line constitute less valuable service. We fail to see why Baltimore business interests should be handicapped in competition with other cities, and it certainly is unfair to household subscribers."

E. L. Florence, general commercial manager of the Chesapeake and Potomac Telephone Company, in commenting upon this letter, said that each company had different conditions. For example, Washington has

a dense population and no rural service. The company which serves Baltimore also serves a wide rural area. Furthermore, he said, the complainant took only the basic rate, while he believed that if the figures for all calls were used instead of those specified in the limits set on primary charges, it would be found that the Baltimore rates were as low as, or lower than, those of other cities.

The present rates for service of the company in Baltimore were authorized several years ago after an increase was approved by Federal court. The rates as published in the *Baltimore News* are:

"Business or residential—Individual line, 50 or less local messages per month, \$4, or 8 cents each; next 100 local messages per month, 5 cents each; next 100 local messages per month, 4 cents each; all over, 3 cents each. Two-party line (business)—Forty calls, \$3.25, or 8½ cents each; additional calls, 5 cents each. Two-party line (residence)—Thirty-five calls, \$2.75, or 7½ cents each; additional calls, 5 cents each. Individual line—Flat rate, residence, \$6 a month."



Michigan

Natural Gas May Be Brought to Detroit

NEGOTIATIONS are in progress between the Detroit City Gas Company and the Columbia Gas and Electric Company to bring natural gas into Detroit for both small consumers and large industries, we are informed by the *Detroit News*. John Morgan, city statistician, is authority for this information. The *News* states:

"The Columbia now has a pipe line as far north as Cleveland and Toledo from the Snyder (Kan.) gas fields, one of the greatest ever developed, Mr. Morgan said. If natural gas is brought to Detroit, he believes that the rates can be reduced from 79 cents per thousand cubic feet now charged small consumers to a rate of 65 cents, while the minimum rate for industrial users can be lowered to 35 cents. It is now 40 cents per thousand cubic feet for large consumers."

Charles W. Bennett, vice president and general manager of the Detroit City Gas Company, according to the *News*, admitted that negotiations were under way, but would not say how far they had progressed. He said that the gas company was training its men to handle the mixture of natural and artificial gas proposed, and that a laboratory had been set up to study burners and other equipment. He declared that the problems of depression, which make consumption uncertain, and the threat of states to pass laws taxing the flow of gas through their territories in pipe lines, make it difficult to come to terms.

Company Will Pay for Probe of Intercompany Relationships

COUNSEL for the Michigan Bell Telephone Company, according to the *Detroit*

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Times, has agreed that the company will pay the expenses of state officials in investigating the company's connections in New York with the American Telephone and Telegraph Company. The *Times* states concerning the investigation:

"At the resumption today of the three million dollar telephone rate hearing before William S. Sayres, Jr., Federal master in chancery, Thomas Long, of counsel for the telephone company, said his organization would pay the investigating expenses of Harold Goodman, special attorney general in the case, and 'any assistant authorized by the attorney general.' This stipulation regarding an 'authorized representative' was considered a direct slap at Manfred K. Toeppen, recently ousted as state engineer

in the telephone rate case by a majority of the members of the public utilities commission, led by Kit F. Clardy. Toeppen again today sat at Goodman's elbow at the rate hearing. It is expected Goodman, after approval by the attorney general, will take Toeppen to New York with him to investigate American Telephone and Telegraph books. Long told the court that in view of the fact that all leading legal representatives of the American Telephone and Telegraph are in Chicago on a similar rate hearing, Goodman's investigation should be deferred until later, when he could have the assistance of these officials and also important records now in Chicago. Goodman declared there is no need for delay and urged the investigation proceed immediately."



Minnesota

Gross Receipts Tax Eliminated in New Franchises

THE St. Paul city council, according to the *St. Paul Dispatch*, has approved informally as to form three franchise ordinances which have been under consideration for several months and which grant to the Northern States Power Company the right to operate in St. Paul for twenty years. As informally approved, the agreement provides:

"For elimination of the 5 per cent gross earnings tax now being collected by the city. This amounts to more than \$375,000 annually. A 5 per cent reduction in electric rates which power company officials say will amount to \$241,000. No change in the gas rates until such a time as the city council elects to pass a new gas rate ordi-

nance. A clause enabling the council to force the company to use natural gas in St. Paul when it is available, but not to dictate the source of supply of this natural gas. A clause providing that rates shall be no higher than those charged for a similar service in Minneapolis, except when the differential is set by the St. Paul city council by ordinance. No change in the steam rates. A clause governing and limiting the sale of electric appliances."

The gross receipts requirement under the old franchises has been a point of considerable dispute. The company had been willing to grant to Minneapolis a reduction in rates but in offering some reduction to St. Paul, refused to grant the same reduction because of the additional tax. The proposed franchises by a unanimous vote of the council can be submitted to the people at a special election.



Missouri

St. Louis Studies Natural Gas Possibilities

BENEFIT from the introduction of natural gas to be mixed with artificial gas in St. Louis is the outstanding question raised at a hearing by the gas committee of the board of aldermen on November 3rd at which George B. Evans, president of the Laclede Gas Light Company, explained the company's plans.

It was brought out that consumers would pay more per cubic foot for gas but they

would receive a higher heating quality as the gas standard would be raised from 600 B.T.U. to 800 B.T.U. It was explained that this would decrease the volume of consumption. Mr. Evans said that while the price on cubic feet would be raised, the company would not have to raise the price on therms.

The arrangement for receiving the natural gas was also explained. It was said that the Mississippi River Fuel Corporation would sell natural gas to the Missouri Industrial Gas Company, which in turn would sell it without profit to the Laclede Company. The gas, according to the plan out-

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lined, is to be purchased from the Fuel Corporation for delivery to the Laclede at cost, plus the carrying charge for pipes and facilities, and the Industrial Company must pay 26 cents per thousand cubic feet for natural gas until December 31, 1933. Afterwards the cost will vary from 26 cents to 31 cents on a 60 per cent load factor.

The president of the Laclede Gas Light Company said that his company could increase the use of gas in St. Louis for house heating and other purposes. That would have a tendency to reduce the cost to all customers. To enlarge the use of gas for house heating, he said, would do much to mitigate the smoke nuisance, which should be considered when measuring the costs be-

tween present heating conditions and gas heating.

Benjamin C. Comfort, general manager of the Mississippi River Fuel Corporation told of the gas supply to industrial consumers. The St. Louis *Daily Globe-Democrat* states:

"Comfort explained that it was not necessary to submit the contracts between the few big St. Louis industries served by the fuel corporation with natural gas to the public service commission, because it is in the nature of a private contract. He said the fuel corporation is not a public utility, but a private corporation, a point which has been disputed by the public service commission in considering the pipe line question."



Nebraska

Zone System of Fares Is Found to Be Unsatisfactory

THE Lincoln Traction Company has applied to the commission for authority to cancel all present fare schedules and to put into effect a 10-cent cash fare with transfer privileges to all persons over thirteen years of age, except school children. Children between five and twelve years would ride for 5 cents with transfer privileges, and children under five years, when accompanied by parents or guardians, would be carried free. The Lincoln *Journal* states further concerning the new fare plan:

"Tickets for school children between thirteen and seventeen, inclusive, 6½ cents—fifteen tickets for \$1, with transfer privileges during school year, when certificate signed by principal be presented. All zones now established are abolished, including the 5-cent fare for limited distance, and the no

transfer rule from suburbs. The company points out that under the agreement made five years ago to forego dividends and invest net proceeds in property and put in borrowed money for a total of \$280,000, notwithstanding the capital was cut to \$250,000 and bonds to \$800,000, it has not been able to earn during the current year enough to pay bond interest. During the current year it will fall short \$88,000 of earning bond interest and expenses. Under such circumstances, it says, it has not been able to properly maintain its property, and that unless revenues can be stimulated it faces receivership. It says the property is worth \$1,750,000, upon which it is entitled to a 7 per cent return. Traffic has declined from 12,000,000 in 1919 to 5,000,000 last year and an estimated 3,610,000 this year. It is charged with \$25,000 a year taxes and is also held for paying obligations. The zone system, tried as an experiment, has but added to losses. An immediate order is asked."



New Mexico

Commission Is Asked to Order Reduction in Telephone Rates

PETITIONS asking for a reduction in telephone rates, both business and residential, in Roswell, according to the Roswell *Record*, have been circulated among residents. The petitions are addressed to the state corporation commission. The *Record* adds:

"The petition is based on the proposition, those behind the movement said, that Roswell and Santa Fe are paying the highest rates in the state for business telephones, the

rate in this city being \$6 a month, while all other towns and cities within the state are paying less. Albuquerque and Clovis are paying \$5.50 each, Las Vegas, \$5; Las Cruces, \$4.50, Portales \$3.50, and Carlsbad, \$4."



Cheaper Electric Rates Demanded

A PETITION containing 2,842 names of electric users in Bernalillo county, says the Albuquerque *Morning Journal*, has been

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sent to the state corporation commission, urging an investigation of a reported excessive price for electricity charged by the Albuquerque Gas and Electric Company. The *Morning Journal* states further:

"The petition requested a public hearing. The petition, together with a letter to the corporation commission was sent by Robert

Hoath La Follette, who recently made excessive electric rates an issue in the municipal campaign. At the same time, La Follette wrote a letter to the commission of the city of Albuquerque notifying them of this move and requesting their hearty coöperation in this movement for cheaper electricity in the city of Albuquerque."



New York

New York Files Complaint against Electric Rates

THE city of New York has filed a formal complaint with the public service commission against the rates which were put into effect earlier this year by the New York Edison Company system. The commission has been conducting hearings on a similar complaint by the Washington Heights Taxpayers' Association in which much interest has been manifested by various groups in the city. The commission has heard not only the arguments of the parties to the proceedings but has also heard representatives of Communists and other organizations. As was stated in an earlier report of these proceedings, the so-called reds were not permitted to air their views until after some others had been heard.



Ohio

Opinion Divided on Proper Method of Valuing Leaseholds

AN important issue in the Columbus gas rate controversy developed before the public utilities commission at a recent hearing when the question of leasehold valuations was introduced. There appeared to be a difference of more than \$40,000,000 between the city's figures and the company's figures.

The company has maintained that the present value of the leaseholds should be the basis of rate making. The city, on the other hand, maintained that the original cost of the leaseholds should prevail. James M. Butler, attorney for the city, points out that the city will never admit that the gas company could "go out and buy acreage and then give it a valuation separate and apart from the cost valuation, until a court or commission

so rules." The Columbus *Dispatch* states:

"Butler maintained that the people are paying rentals to carry reserve gas land and that later these amounts are put into the present valuation by the company as a rate basis. He termed this practice as unsound and unjust. Edward C. Turner, attorney for the Columbus Gas and Fuel Company, maintained that the courts of Pennsylvania and New York have already established present value as the valuation basis, and that unless this was considered, the company would suffer. 'It is not unfair to consider the cost of delay rentals when no amortization is allowed,' Turner said. Grave consequences would follow if no reserve gas lands were held, and by holding such reserve gas lands, Turner claimed, the company as well as the public interests were served. Commissioner Frank Geiger pointed out that as yet the commission has not been definitely advised of a proper method it can follow in such valuation basis. No court, nor the legisla-

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ture has definitely outlined a definite procedure for the commission, he said. The city maintained that the Ohio Supreme Court, in

the Logan Gas Case, established the original cost method and ruled out No. 2, 3, and 4 classifications of acreage."



Oklahoma

Renewal of Natural Gas Franchise Is Denied by Voters

CITIZENS of Oklahoma City, by a vote of 13,198 to 8,976, have refused to renew the franchise of the state's largest public utility, the Oklahoma Natural Gas Corporation, according to a United Press dispatch. The first franchise has three years to run.

A recent reduction in rates following Governor William H. Murray's campaign against what he termed "excessive" public utility charges brought the price down from 57 cents a thousand cubic feet to 45 cents. The company asserts that over a period of twenty-five years it has given Oklahoma City the lowest gas rates of any city in the country having a population of more than 2,000.



Oregon

Federal Invasion of State Authority over Water Power

OREGON and the Pacific Northwest are seeking the coöperation of other western states in securing Federal development of hydroelectric power on such major rivers as the Columbia, and are seeking recognition from the government for state and local development of projects on nonnavigable rivers, wholly intrastate, it was asserted by Colonel A. E. Clark, personal representative of Governor Julius L. Meier of Oregon, in addressing the Western Governor's Confer-

ence, according to a report in the *United States Daily*. He said in part:

"'Waters within states belong to the states as an incident to their sovereignty,' declared Colonel Clark, 'and the government is invading the police powers of the states by regulating hydroelectric development, even to the prescribing of forms of accounting that may be employed in developing a project.'"

Colonel Clark said that within the Federal domains are practically all of these smaller hydroelectric sites but that while navigation and flood control are a Federal concern, hydro development is not.



Pennsylvania

Citizens' Committee Appointed to Investigate Gas Rates

A COMMITTEE of nine men has been appointed by Mayor Herbert T. Ames of Williamsport to investigate new natural gas rates proposed by the Pennsylvania Power & Light Company. They are to determine whether or not the utility company is requesting permission of the public service commission to charge a legitimate rate. The engineering and accounting departments of the municipal government are to be placed at the disposal of the committee.

L. W. Heath, representing the utility company, according to the *Williamsport Sun*, has stated that he is prepared and "very glad to furnish all the information" at the disposal of the company. He said that an investigation is very proper in view of the changes involved in the company's proposals. He remarked:

"Quite naturally a change in the kind of gas furnished, a change in the method of measurement, and a change in cost, even though a decided saving was made to the customer, is bound to excite comment, all of which can not be expected to be favorable."



Texas

Telephone Company Is Boycotted

THE chamber of commerce of Amarillo, according to newspaper reports, has called on 3,000 patrons of the Southwestern Bell Telephone Company to have their telephones disconnected as a protest against telephone rates. The Fort Worth *Star-Telegram* says:

"Those who were urged to disconnect their telephones signed petitions circulated by the chamber of commerce last week, pledging themselves to have their telephones removed unless greater reductions in rates were granted by November 1st. Among the first to order service discontinued were the city's two largest hotels, the Amarillo and the Herring, both owned by Mayor Ernest P. Thompson, who is directing the fight for lower rates. The mayor said the orders had been mailed. Telephone company officials denied receiving them. All city phones, except those serving the police and fire departments, had been ordered out. City officials, the tax officers, water department, engineering department, and the chamber of

commerce were among those whose telephones were ordered disconnected."

Gas Rate Ordinances Suspended Pending Commission Investigation

THE railroad commission, according to the *San Antonio Express*, has halted by suspension several rate ordinances on appeal of the Municipal Gas Company, a subsidiary of the Lone Star Gas Company. This action follows the commission's announced intention to suspend and take over for investigation such ordinances as fast as the appeals are filed.

The companies affected are required to post bond pending determination of a fair rate to insure consumer rebates in event the commission determines that rates holding since the ordinances were suspended until a fair charge is decided on are too high.

It is reported in the *San Antonio Express* that the commission has available \$70,000 to make an immediate start in its investigation of gas companies of Texas.



West Virginia

Wheeling Moves to Restore Gas Rate

A MOTION by the city of Wheeling to require the Natural Gas Company of West Virginia to restore a 40-cent rate, upon a contention that the present 52-cent rate expired by limitation in 1927, was submitted to the commission on October 27th for decision on briefs, says the *Bluefield Telegraph*. Both rates are subject to a 2-cent discount for prompt payment. The *Telegraph* adds:

"The briefs were submitted by attorneys in the case after testimony by Joseph G. Conley, secretary of the commission, in which he traced orders relating to the Wheeling gas concern from the year 1919. His testimony developed that some of the commission's records were destroyed in 1927 in the burning of the temporary capitol but that order books containing the formal orders of the commission were preserved. The orders showed that the 40-cent rate was established on November 20, 1920. An increase in that rate was sought by the company in 1922 but was denied by the commission a year later. Upon an appeal by the gas company, the state supreme court reversed the commission and found the company was entitled to an increase. Subsequently an order was en-

tered by the commission upon agreement between the company and the city fixing a rate of 52 cents to be effective from June 15, 1924, to December 15, 1927."

Uniform Gas Rate Order Re-affirmed and Appealed to Court

THE public service commission on October 26th denied a petition by the United Fuel Gas Company for a rehearing on the commission order fixing a new and uniform gas rate of 29 cents a thousand cubic feet for domestic consumers throughout the United Fuel Gas Company's extensive territory in southern West Virginia, it is reported in the *Wheeling Register*. Then on October 31st cities protesting against the rate filed a petition with the state supreme court asking that the original order of the commission be set aside and that the commission order denying a motion to impound a part of the revenues from the new rates be reversed.

The uniform rate was fixed by the commission to supersede former temporary rates which varied in the various communities served by the company.

The Latest Utility Rulings

Meters Are Held Proper Means for Measuring Steam-Heating Service

THE proposal of the little village of Waterloo, engaged in rendering steam-heating service, to abandon rates based upon the use of condensation meters because of the alleged failure of such meters to prove accurate or reliable has been denied by the Wisconsin commission. The commission said that there was good engineering authority for the proposition that condensation meters could be made to operate satisfactorily, and the village

was directed to take steps to have its meter difficulties removed. The village proposed to put into effect a system of flat rates based neither on radiation installed nor radiation required on premises served, and to vary such rates during exceptionally mild winters. The commission held that such a proposition had the disadvantage of being unscientific, impracticable, and arbitrary. *Re Village of Waterloo (Wis.) U-4072.*



Wisconsin Commission Favors Service Charge and Calls Minimum Charge Discriminatory

THE recently announced policy of the Wisconsin commission, like that of the Massachusetts commission, seems to differ materially from the stand taken by New York and some other state commissions regarding the relative desirability of the service charge and the minimum monthly charge. The New York commission, for example, has gone on record in a number of proceedings to the effect that however justifiable a monthly service charge may be as a matter of pure equity, a minimum monthly rate under which a small consumer is given a reasonable amount of service is preferable to a fixed service charge regardless of whether any consumption occurs or not. The minimum charge method has been held to be convenient as a matter of expediency to avoid confusion and antagonism on the part of consumers who cannot reasonably be expected to understand the factors underlying the service charge. As Chairman Maltbie, of the New York

commission, expressed it, the objection to the service charge is mainly "psychological."

The Wisconsin commission, however, appears to take an opposing view in a recent opinion fixing rates for the municipal electrical utility of New London. The opinion held that a rate schedule which provides for a monthly service charge to be paid irrespective of whether or not a consumer uses any electrical energy is a more scientific rate, at least in so far as residential and commercial lighting service is concerned, than types of electric rates which provide for a minimum bill under which some energy may be used. It was stated that a minimum monthly bill for electrical service is discriminatory in that those customers who use the maximum amount of current allowed under the minimum bill do not pay their proportionate share of the cost of service, while those who consume little or nothing, or those who consume energy in excess of the mini-

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mum bill, are more nearly paying their proportionate share of the cost of service.

The opinion also held that a service charge for electricity which includes not only strictly customer costs such as meter reading, billing, maintenance, and other fixed charges on company-owned property on the customers' premises, but also a consideration of the time

and nature of the customers' demand is more scientific and desirable than a service charge which takes into consideration only the former group of charges, although in particular instances, owing to the lack of sufficient data as to the customers' demand, the ascertainment of such a service charge may not be practicable. *Re City of New London (Wis.)* 2-U-63.



Loss Due to Dial Telephone Installation Not Chargeable to Operating Expenses

COMMENCING in 1928, the Jamestown Telephone Corporation, operating in the vicinity of Jamestown, N. Y., initiated a construction program embracing the installation of a complete automatic station and central office equipment in its four principal exchanges, together with the construction of new trunks and circuits and other incidental apparatus. More recently, the company asked permission from the New York Public Service Commission to spread the loss due to the unexpired life on the manual exchange equipment as an operating expense to be charged against future ratepayers. In order that the loss might thus be amortized, it is necessary under the uniform system of accounts for telephone companies, enacted by the New York commission, for the commission to find that the loss could not have been "anticipated by the exercise of reasonable prudence," and that it was "an extraordinary casualty entirely unforeseen and unprovided for."

After analyzing the situation in detail, the commission denied the company's petition. It was decided that the loss due to the installation of dial equipment was not an unforeseen casualty which could not reasonably have been anticipated and provided for

out of depreciation funds, because evidence indicated that the improvement was not required by lawful authority, and that the loss could have been anticipated and ascertained by an exercise of reasonable prudence during the period in which high dividends were paid on common stock by the company's officials, notwithstanding the known inadequacy of the depreciation fund to absorb the loss at that time.

The commission makes the interesting statement that it is conceivable that a telephone company with no surplus and a record for having paid no dividends might be entitled to amortize the loss resulting from the retirement of manual office equipment and the installation of dial switching service as an operating expense against future ratepayers. Such was not the case in the instant proceedings, however, because the petitioner had, at the end of 1930, and has at the present time, a surplus considerably in excess of the unamortized loss. The opinion held that dividends may not be paid by a utility on its securities unless they are earned, and divisible profits are not earned so long as adequate provision is not made to meet depreciation. *Re Jamestown Telephone Corp. (N. Y.) Case No. 6525.*



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A Voluntary Phone Rate Cut to Aid Wisconsin Farmers

SOME weeks ago it was suggested in Nebraska that all rural telephone companies should have their rates cut 10 per cent as an aid to the farmers of that state. In Wisconsin, however, the Monroe County Telephone Company, by its own request, has been permitted to reduce its rates yielding approximately 6.6 per cent return on the book value of its plant to a level calculated to yield only 5.7 per cent return, as a temporary emergency measure to prevent drought stricken and financially embarrassed farmers from deserting the telephone service in wholesale numbers.

Evidence taken in the proceedings before the Wisconsin commission indi-

cated that the drought was the severest in twenty years, and that large numbers of subscribers would discontinue service if relief were not afforded. The limit for this reduction was set at June 1, 1932, within which period, in the opinion of all those present at the hearing, an improvement in economic conditions was expected to be definitely ascertainable.

The commission, in granting the request, observed, however, that it also had a statutory duty to prevent utilities from cutting rates so low as to injure the interest of the public or of the utility. Such was not the case here, it was held. *Re Monroe County Telephone Co. (Wis.) 2-U-9.*



Low Farm Earnings No Reason for Reduced Telephone Rates

THE Nebraska commission has denied a complaint by certain rural subscribers for reduced telephone rates, which was based solely upon their adverse economic condition and declining agricultural earnings in the territory affected. The commission's opinion pointed out that the telephone company complained against had failed to earn even operating expenses for nearly five years prior to the filing of the petition. The commission's opinion stated:

"Telephone rates were not permitted to soar with the prices of agricultural prod-

ucts during the war, nor can they be reduced for the reason only that the prices of these products are low. Telephone rates which produce less than a fair return on the fair value of the property would constitute confiscation if ordered by the commission. The method of finding fair value of public utility property to be used for rate-making purposes has been stated by the Supreme Court of the United States and the use of a lower rate, except on application of the company would be illegal."

Brinkman et al. v. Lincoln Telephone & Telegraph Co. (Neb.) Formal Complaint No. 690.



A Utility Practicing Voluntary Discrimination Estopped from Disputing Authorized Rates

THE Minnesota commission, in granting a recent petition of rural telephone subscribers against alleged excessive charges of the Pelican Telephone Company in that state, in the course of its opinion stated a proposition of law which is entitled to more than passing interest. It appears that

the company had twenty-three stations or subscribers from which it received either no rentals at all or only nominal rentals, much below the legal authorized standard monthly rental for such service. The shortage or annual loss to the company because of these twenty-three rate concessions amounted to

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\$390.96 a year. Because of the voluntary discrimination so practiced by the company, the commission stated in connection with its order:

"A telephone company which supplies some of its customers free or at a rate lower than the maximum prescribed by law, cannot successfully attack such authorized rates on the ground that the legal rates from the balance of its customers

will not yield a fair return on the actual value of its entire property."

Rural telephone rates were accordingly reduced 25 cents a month, or \$3 a year. The new rates were calculated to yield the company more than 7 per cent return on the present fair value of its property. *Sillerud et al. v. Pelican Telephone Co. (Minn.) M-2136.*



Statutory Time Limitation on Reparation Awards Defined

IN granting the petition of 120 consumers of the Newville Water Company for reparation because of alleged excessive payments, the Pennsylvania commission has recently made two rulings defining the operation of a statutory time limitation imposed by a Pennsylvania law upon such proceedings. First of all the commission decided that the Pennsylvania statute limiting the recovery of reparation by utility consumers to complaints filed "within two years from the time when the cause of action accrued" begins to run as to each complainant from the time of the alleged excessive payments by him, and not from the date of a subsequent commission order finding unreasonable the rates imposed by the public utility.

The second ruling, however, by virtue of which the 120 complaints were allowed, held that the filing of a complaint against alleged excessive rates of

the utility by individuals supposed to represent all consumers in the community affected, and the subsequent intervention by the municipality itself, had the effect of staying the running of the statutory time limitations for all consumers in the community until the final adjudication of the complaint, and that it was unnecessary for individual consumers to demonstrate a technical legal agency between themselves and the complaining parties of record. The commission observed, however, that it is possible for individual consumers in such circumstances by unreasonable delay and after the adjudication of the reasonableness of the rates to debar themselves from obtaining an affirmative order for reparation. It was observed that such a situation was not presented in the instant proceeding. *Estate of Mrs. George Abrahams et al. v. Newville Water Co. (Pa.) Complaint Docket Nos. 8694 to 8796 et al.*



Other Important Rulings

THE practice of a sight-seeing bus carrier in charging less than the regularly filed tariff for a round trip sight-seeing tour on trips where the return trip was made over the same route as the outbound trip with less total mileage than if the return trip were made over a different route as specified in the filed tariff was held by the Colorado commission not to be an unlawful de-

parture from the filed tariff rate where the operator made no representation to the passengers that he was taking them upon the "regular" scenic trip. *Re Lewis (Colo.) Case No. 703, Decision No. 3661.*

Although the practice of a common carrier in operating as a private carrier on routes and in territory over which